

SKILLS FOR BUSINESS NETWORK - PHASE I EVALUATION

RESEARCH REPORT 3
AUGUST 2004



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**SKILLS FOR BUSINESS NETWORK –
PHASE 1 EVALUATION**

July 2004

Skills for Business Network – Phase 1 Evaluation

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JL3916

This report is one of a series which presents the findings of the Phase 1 evaluation of the Skills for Business Network. The evaluation comprised a series of inter-related strands of primary research, conducted by independent consultants, including surveys of stakeholders and employers and case study research. The evaluation has informed baselines and measured progress against the performance framework and scorecard.

SSDA July 2004

Sector Skills Development Agency

Research Series

Foreword

In October 2002 the Department for Education and Skills formally launched Skills for Business (SfB), a new UK-wide network of employer-led Sector Skills Councils (SSCs), supported and directed by the Sector Skills Development Agency (SSDA). The purpose of SfB is to bring employers more centre stage in articulating their skill needs and delivering skills-based productivity improvements that can enhance UK competitiveness and the effectiveness of public services. The remit of the SSDA includes establishing and progressing the network of SSCs, supporting the SSCs in the development of their own capacity and providing a range of core services. Additionally the SSDA has responsibility for representing sectors not covered by an SSC and co-ordinating action on cross cutting and generic skills issues.

Research, and developing a sound evidence base, is central to the SSDA and to SfB as a whole. It is crucial in: analysing productivity and skill needs; identifying priorities for action; and improving the evolving policy and skills agenda. It is vital that the SSDA research team works closely with partners already involved in skills and related research to generally drive up the quality of sectoral labour market analysis in the UK and to develop a more shared understanding of UK-wide sector priorities.

The SSDA is undertaking a variety of activities to develop the analytical capacity of the Network and enhance its evidence base. This involves: developing a substantial programme of new research and evaluation, including international research; synthesizing existing research; developing a common skills and labour market intelligence framework; taking part in partnership research projects across the UK; and setting up an 'Expert Panel' drawing on the expertise of leading academics and researchers in the field of labour market studies. Members of this group will feed into specific research projects and peer review the outputs; be invited to participate in seminars and consultation events on specific research and policy issues; and will be asked to contribute to an annual research conference.

The SSDA intends to take the dissemination of research findings seriously. All research sponsored by the SSDA will be published in a dedicated research series and made available in both hard copy and electronically on the SSDA website.

Lesley Giles

Head of Research at the SSDA

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Executive Summary

Introducing the Skills for Business Network and the evaluation

1. The Skills for Business Network (SfBN or ‘the Network’) is designed to cover all sectors of the UK economy, to raise skills levels in order to bring about improved business competitiveness and public services and increased opportunities for all.
2. Sector Skills Councils (SSCs) are intended to be the means to deliver this agenda through the power to influence government, educators and skills providers in order to make sure different sectors get the skills that they need.
3. The Sector Skills Development Agency (SSDA) has the role of establishing, developing and supporting an appropriate range of SSCs and formally came into operation in April 2002. To date 16 SSCs have been licensed covering around half of employment in the UK. By the summer of 2004 it is anticipated over 20 will be licensed.
4. Therefore, the evaluation that was commissioned by the SSDA has taken place at an opportune moment to provide:
 - A baseline of the conditions the SfBN is seeking to influence;
 - A review of early progress and emerging issues; and
 - An assessment of how well placed the Network is to go forward and meet the expectations of government and other partners.
5. The evaluation comprised a series of inter-related strands as follows:
 - The Skills for Business 2003 Employer Survey carried out by IFF Research Ltd, which interviewed over 13,000 employers and was designed to be representative of employers across the UK with the exception of single person enterprises;
 - The Skills for Business 2003 Stakeholder Survey, commissioned from IFF Research Ltd, interviewing 168 SfBN stakeholders and partners generated by referrals from Government departments and agencies and SfBN members;
 - Case studies: GHK Consulting and SQW were commissioned to undertake a review of the background documentation (e.g. strategies and delivery plans) across all SSCs, aspiring SSCs and the SSDA and 12 case studies were selected to represent the diversity of the Network, to give a sectoral mix, to allow for differing sectoral complexity and scale and to cover organisations of different levels of maturity and varying ‘closeness’ to being licensed SSCs.

- A feasibility study was commissioned from Cambridge Econometrics to examine possible statistical methodologies for assessing the impact of the Network at the level of its strategic objectives.

The current state of play

6. The main observations to emerge on the conditions in which the SSDA and the SSCs were operating at the outset of the SfBN policy initiative from the evaluation evidence (and from secondary data sources such as the national employers skill surveys) were as follows:

- The main observation is that there are clearly major issues confronting employing organisations in the UK with respect to skill deficiencies (especially in some sectors) that constrain their competitive performance and/or the quality of the services they supply.
- A good proportion of employing organisations claimed to be contributing to the skills development of their workforce through their commitment to training. On the face of it, this observation sits uneasily with the evidence on the extent of skills deficiencies and deserves further investigation.
- There appears to be a lack of connection between the external competitive factors that drive the need for skills development (as assessed by the SSCs) and the motivation for skills development as recorded by employers (mainly to do with their internal operations and staff development).
- Specifically, the significance of both the demographic and technological context for skills development was recognised by the SSCs to a much greater extent than employers - these two issues could form an important focus for dialogue between the SSDA, the SSCs and the employers they represent.
- Barriers to increased training were identified from the evidence, especially for smaller organisations in terms for example of their lack of knowledge about the availability of training.
- The evidence suggested that skill development was needed across the board and that the Network might have to adopt some priority ordering with respect to the sub-sectors and/or groups of firms that should be targeted – e.g. those with more immediately pressing skill challenges and with a declared commitment to workforce development but where little training investment had taken place. Such a set of priorities could provide the SSDA and the SSCs with some quick but significant “wins”.

- Finally, more specific Network interventions could be to encourage skills enhancement amongst smaller firms and to redress distributional imbalances (especially with respect to women and black and minority ethnic groups).

Evidence of progress

7. The process of establishing the Network has taken some time but the pace is now quickening. The SSDA deserves credit for recognising the difficulties that were being encountered in the SSC licensing process and devoting additional resources to speed up and clarify it whilst maintaining its robustness.
8. The time taken to establish the Network need not create a long term problem. Indeed, it is to be hoped that by focussing on quality, the Network will be more robust, more sustainable and with greater clout than if the licensing process had been 'light touch'.
9. The early signs of improved quality across the SSCs is encouraging although there is general acknowledgement amongst partners and stakeholders that there is still some way to go:
 - A number of high quality people have been recruited to senior positions at SSCs. This could have a significant impact on the credibility of the Network.
 - The business plans which have been developed provide a reasonable link back to labour market issues, although not always in a way which suggests a fully rounded and integrated approach.
 - The labour market intelligence is still developing. While some is very good, the need for further work has been recognised by several SSCs to enable them to provide sufficient detail to influence the supply side - a cross Network research group is taking forward this agenda (providing just one example of the potential benefits of the Network).
 - Whilst awareness and understanding of the distinctive objectives of the Network and its constituent elements are not yet widely developed amongst employers, the satisfaction ratings amongst employers and stakeholders who claim to be aware and understand the Network's purpose and have had dealings with it are generally quite high. They generally consider the current SfBN to be better potentially than the previously prevailing National Training Organisation (NTO) regime.
 - The major concern – and one widely held – is that progress in the desired direction has not been at a sufficiently fast pace. The risk that is seen is that slow progress might dilute the strategic intent of the policy initiative and could possibly lead to competition between SSCs and a focus on their part on delivery of training and on the generation of the funding to finance it.

Priorities for the next period

10. The assessment presented above on the basis of the evaluation evidence suggests a number of priorities for action:

- The quality of sectoral labour market information and intelligence needs to be further improved to reach a level where, perhaps through Sector Skills Agreements, it can influence provision and stakeholders.
- A clearer image must be developed of what an ideal SSC will look like and how it will operate. This will allow a stronger sense of how the SfBN should improve on the previous NTOs regime and how this should be embodied in appropriate targets.
- The emphasis of the Network should be primarily on influencing rather than on seeking resources to deliver more products. Funding learning delivery is the job of the LSC, ELWa and others, whilst the key added value of SfBN is in improving the quality and relevance of this provision to employers.
- SSDA and SSCs need to be clearer on their intentions for achieving real influence. The development of strategies around this specific issue would be useful in shaping thinking and moving from the current aspiration towards consistent high quality action.
- The extent of employers' awareness and understanding of and engagement with the Network must improve. This should be sought through promoting their understanding of the Network and gathering their views on the demand side requirements of the skills development equation – linking this to the drivers of change in their sectors. The credibility of the Network in ensuring that the mainstream supply side is geared up appropriately will be critically dependent on this.
- The last point must be reflected in the business plans of the SSCs which should demonstrate what needs to be done by employers to respond to longer term sectoral drivers as well as their own shorter term interests. They will need to set out sectoral priorities to do this and the operational changes at employer, SSC and Network levels that are needed to achieve the desired outcomes in terms of skills development generally (and for all) and improved performance.
- There must be greater clarity about the nature of the Network, specifically in terms of how it can be made to be more than the sum of its SSDA and SSC parts – e.g. through joint-working, information sharing and other collaborative initiatives.
- As the licensing process comes towards an end, the role of the SSDA should change towards development and strengthening of the SSCs, the Network and its influence so

that it works effectively as a collaborative network rather than a collection of competing SSCs.

- In particular, the efforts to encourage collaborative working need to be enhanced and carefully monitored to ensure that Network progress proceeds in the right direction, with evidence based priorities negotiated with partners, with key employer engagement in a participative sense and at a pace that is fast enough to keep employers engaged (especially those that are key to the delivery of priority objectives).
- This will require the Network to get quickly but robustly to the point where it can tip-over from being concerned primarily with infrastructure and other internal Network development matters to being focused on looking outwards, communicating and demonstrating what it is about at the highest level within the employer organisations that can really make a difference to skills development and performance enhancement in their sectors and across the UK economy as a whole.

1 Purpose and implementation of the SfBN

Introduction

- 1.1 The Skills for Business Network (SfBN or the Network) is designed to cover all sectors of the UK economy to help raise skills levels throughout the economy and contribute to the reduction of the skills and productivity gap between the UK and comparator countries. Employers across the economy have a key role to play in this. Sectors are crucial because employers tend to identify with others in the same or related industry or public service area and this provides the basis for recognising needs held in common and developing solutions best suited to the culture of the sector. Sector Skills Councils (SSCs) are intended to be the means to deliver this agenda through the power to influence government, educators and skills providers in order to make sure different sectors get the skills that they need.
- 1.2 The Sector Skills Development Agency (SSDA) has the role of establishing, developing and supporting an appropriate range of SSCs and formally came into operation in April 2002. This followed the publication of *Meeting the Sector Skills and Productivity Challenge; Building a stronger sector skills network*, by the Department for Education and Skills (DfES) in 2001.
- 1.3 The SfBN refers to the combination of the SSDA and the SSCs and is an acknowledgement that, to achieve the overall purpose, the Agency and the Councils must work together to share experiences and good practices and to ensure that skills enhancement is high on the agenda as a driver of productivity improvements and the competitiveness of the UK as a whole.
- 1.4 The SSDA on behalf of the DfES, Department of Trade and Industry (DTI), devolved administrations and SSCs, commissioned a first year evaluation of SfBN. This report by SQW draws together the evaluation work strands to provide an overview of the progress made to date by SfBN.
- 1.5 This chapter describes the context for the evaluation – the origins and purposes of the SfBN, the performance framework that has been put in place and the progress that has been made in establishing the Network. It does this by explaining:
 - The background to the setting up of the Network;
 - Its policy rationale and objectives;
 - The different components of the Network - SSDA and SSCs - that are intended to work together towards these objectives;
 - The performance measurement framework and the scorecards that reflect it;

- The progress achieved in developing the Network.

Background

1.6 The previous sectoral skills lead was taken by a UK wide network of around 70 National Training Organisations (NTOs). While there were some strong NTOs, overall the network was not seen to have delivered the fundamental, wide-reaching change that was desired. Ministers believed there was a need to build a stronger network with scale and scope economies that brought employers more centre stage and gave them greater clout in tackling the UK's skills, productivity and competitiveness challenge. Specifically, it was considered that the new sector based organisations – the SSCs - were to:

- Generate stronger employer engagement and commitment;
- Have and articulate a better understanding of employers' needs;
- Produce consistently high quality sector skills analysis;
- Provide a better understanding of how skills could improve business performance or public services;
- Reach out more effectively and have more influence in all aspects of their sectors;
- Do more to articulate business needs to the education and training sector;
- Develop sufficient credibility that employers and trade unions would engage more comprehensively in a sustained way to the whole process of advancing competitiveness through investment and improvement in the skills base of the UK.

1.7 Therefore, *Meeting the Sector Skills and Productivity Challenge* set out a policy initiative based around the establishment of a number of SSCs which were expected to have:

- An employment base which had economic and/or strategic significance (this would greatly reduce the number of organisations from the levels associated with the NTOs);
- The direct backing of key employers and employment interests in the sector;
- Influential employer leadership and a board representative of the sector;
- High calibre resources, professional staff and expertise to enable the organisations to be effective across the UK.

1.8 Increased funding was to be allocated to organisations that could demonstrate that they met these criteria. There was a commitment to double the funding in 2002/03 and triple it in

2003/04. This commitment reflected ministerial endorsement of the high expectations expressed in the Performance and Innovation Unit's report on adult skills¹ about the contribution the SSDA and SSCs would make in bringing forward a view of sector demands that would transform the scale, scope and urgency of the skills agenda for all stakeholders.

Policy rationale and objectives

1.9 The rationale for building a stronger sector skills Network was founded on an assessment of the UK situation vis-à-vis its international competitors as exemplified by the following observations and propositions²:

- UK productivity is lower than in other advanced economies – output per employee is 42% below that of the US worker and 14% below their French and German counterparts – moreover, there are major differences in productivity performance between the regions and nations of the UK.
- With some exceptions (e.g. in pharmaceuticals), leading British companies do not achieve the same level of productivity as the overseas competition in the same industries - but, it also seems that the tail of under-performers are longer in the UK in absolute terms³.
- A key to bridging the productivity gap is skills. The UK has a long tail of adults with low skills. Over 20% of the adult UK population lacks functional literacy – only Ireland and Poland had a higher rate amongst the thirteen countries reviewed in the International Adult Literacy Survey. Moreover, such training and development as does take place tends to focus on those who already have high skills.
- There are significantly fewer proportions of the workforce qualified to levels 2 and 3 in the UK compared with our competitors and there is a particularly significant skills gap at the intermediate, craft and technical levels – these gaps with our competitors can be expected to give rise to skills deficiencies being reported by employers in the UK.
- There are concerns about the skills of some managers, with many lacking formal management qualifications and undertaking little training.

¹ Performance and Innovation Unit, *In Demand, Adult Skills for the 21st Century*, 2001

² This draws on DfES; *Meeting the Sector Skills and Productivity Challenge; Building a stronger sector skills Network*; 2001; and SSDA, *The Skills and Productivity Challenge: a summary of the evidence base for SSDA's strategic plan 2003-06*.

³ DTI: *Differences in companies' performance: British industry's under-performing tail*: February 1998.

- There are major sectoral differences in the patterns of employment growth and in the demand for skills - this sectoral dimension to understanding and fostering the market for skills had been underdeveloped in the UK.
- There was a need to give employers a stronger voice in articulating their skills development needs so that any mismatch with provision from the supply side could be reduced.

1.10 These aspirations for a stronger network for skills development in the UK and its nations were encapsulated in the SfBN strategic objectives set out in Figure 1.1.

Figure 1.1: Strategic objectives of the SfBN	
	<ol style="list-style-type: none"> 1) Reduce skills gaps and shortages and anticipate future needs through leverage on the supply side and help employers and individuals to make informed career and personal development choices; 2) Improve productivity, business and public services performance through specific strategic actions based on analysis of sectoral priorities; 3) Increase opportunities to develop and improve the productivity of everyone in the sector's workforce including action to address equal opportunities; and 4) Improve learning supply including the development of apprenticeships, higher education and of national occupation standards.

The operational roles of the SSDA and the SSCs

1.11 The SSDA and the SSCs play critical and mutually supportive roles within the SfBN but they are different. The SSCs are focussed on representing and influencing their respective sectors whilst the SSDA functions are a mix of regulating, developing and promoting the Network as well as covering sectors of the economy where SSCs may not be forthcoming and taking forward cross-cutting and cross-sectoral themes.

1.12 The aim of the SSDA is to secure an unprecedented level of employer engagement across the UK to lead action through the SSCs to drive up skills and productivity in the public, private and voluntary sectors of the economy. Its role is to underpin and develop SSCs that are capable of doing just that. Its **strategic and operational objectives** are set out in Figure 1.2.

Figure 1.2: Strategic and operational objectives of the SSDA	
SSDA Strategic Objectives	SSDA key deliverables for 2003-04
Growing the Skills for Business Network into an authoritative and integral part of the infrastructure delivering skills for UK industry	<ul style="list-style-type: none"> • Establishing new SSCs • Providing minimum cover for sectors without SSCs • Managing the transition from legacy agreements
Gaining influence so that the Network has the means to implement strategies which ensure that current and emerging skill needs are met.	<ul style="list-style-type: none"> • Licensed SSCs developing and expanding their reach and effectiveness • Coordinating and leading the Network in interacting with Governments and their agencies • Ensuring SSCs articulate the voice of their

Figure 1.2: Strategic and operational objectives of the SSDA	
SSDA Strategic Objectives	SSDA key deliverables for 2003-04
	employers
Improving productivity by facilitating the move towards a high skills, high value economy.	<ul style="list-style-type: none"> Increasing employer influence on skills delivery infrastructure Encouraging new investment in skills Formulating evidence-based policies for improving productivity
Developing the SSDA to be the leadership catalyst for the skills revolution – adopting best practice in management, skills investment and information usage.	<ul style="list-style-type: none"> Championing the Skills for Business Network Implementing a framework for encouraging Network performance Improving the structure and resource/skill utilisation of the SSDA
Source: SSDA – <i>Raising performance through skills: Strategic Plan 2003-2006</i> ; and SSDA – <i>Operating Plan 2003-2004</i>	

1.13 At a sector level it was recognised that, while the strategic objectives set out in Figure 1.1 could be influenced by SSCs, other factors would also intervene – often more dominantly. Therefore, in developing a performance measurement framework for the Network, a number of more specific, operational indicators for monitoring SSCs’ performance were identified which:

- Were closer to the day-to-day operations of SSCs;
- Were consistent with the expectations of Ministers as to how the Network would operate to achieve its overall objectives;
- Could be measured in a fairly standard and ready way.

1.14 The following categories of performance measures have become core **Network operational objectives** for all SSCs and to a lesser extent the SSDA:

- Awareness of the work of SSCs and their services amongst employers (both within and outwith the Network) by firm size (especially SMEs);
- Engagement of employers with the SSCs in terms of their breadth and intensity of engagement (e.g. respectively, numbers & proportion of employers/employees engaged and financial and resource commitments per employer/employee);
- Employers’ commitment to training – the attitudes, behaviour and performance of those employers aware of and engaged in the SSCs and with the SSDA in terms of their spend on training and professional development and the way this is integrated into plans for productivity improvements;

- Improved labour market information - improvements in the consistency and robustness of labour market information and research - as recognised by employers, their representative agencies, learning providers, and public policy agencies;
 - Enhanced policy influence - engagement with learning providers and public policy agencies to inform their policy development process and decisions;
 - Effective partnership working in terms of both their extent and quality - increased number, breadth and intensity of formal partnership arrangements (e.g. action plans, protocols, standards) and sector promotion/advocacy between SSDA/SSCs, employers, learning providers, and public policy agencies.
- 1.15 Individual SSCs will have additional objectives driven by their employers and reflecting distinct **sector specific issues** that need to be tackled through their business plans. Insofar as these objectives are translated into supplementary indicators, they are to be monitored by the SSCs and, where possible, mapped against the core Network strategic objectives.

The performance scorecard

- 1.16 A performance scorecard was developed to cover the different facets of the purpose and operation of the Network as just explained. It covers the Network as a whole, the SSDA and the individual SSCs and incorporates indicators for monitoring and evaluating the performance of the Network at the following five levels (full detail of the scorecard, with baseline results for the Network as a whole is given in Figure 1.3):
- **Operational objectives:**– A suite of indicators is incorporated in the scorecard relating a) to the extent of employers’ awareness of and engagement with the Network and their commitment to training and b) to the work of the SSCs and the SSDA in generating robust skills and labour market intelligence, developing effective partnerships, exercising policy influence and ensuring employer satisfaction with the work of the SSCs and the Network as a whole;
 - **SSDA support objectives:**– The performance scorecard seeks to capture these through indicators of various aspects of the SSDA’s performance (e.g. as ambassador and champion of the Network amongst partners and stakeholders, as developer of the Network, as its regulator and as its coordinator);
 - **Network strength objectives:**– The indicators relevant here are those that reflect the robustness of the Network in terms of its financial viability, the effectiveness of its governance structures and procedures, and its capacity and capability as measured for example by delivery against business plan targets;

- **Strategic objectives:-** The overall aim of the Network is reflected in strategic indicators that measure the aspects of the economy which it is designed to influence for the better - productivity and organisational performance, skills gaps and shortages, skills development opportunities for all and learning provision;
- **Sector specific objectives:-** It is acknowledged in the scorecard that SSCs will have supplementary indicators that they want to use to reflect their particular sectoral objectives and the scorecard makes room for these.

1.17 While the indicators included within the scorecard reflect the broad aims of the Network, it must be recognised that in several cases the numeric indicator chosen is a proxy for a more generally specified policy goal. For example, the scorecard reports on barriers to training reported by employers as a proxy for the goal of improving the learning supply, and the distribution of training as an indicator of improving equal opportunities. Therefore, while the framework will provide a good indication of progress, the interpretation of its contents must:

- Take account of any contextual changes or external shocks which could affect the economy or individual sectors;
- Be supplemented by an understanding of the nature of SSCs' interventions;
- Acknowledge that the SSC footprints do not necessarily map exactly on to standard industrial classifications and therefore;
- Be carried out with some care.

1.18 Chapters 3 and 4 of this report explain how the evaluation research and monitoring helped to inform the population of the scorecards with data and indicators.

Network development to date

1.19 The development of the Network is clearly dependent on SSCs being established to provide as much sectoral coverage of the UK as possible. There is a three stage process through which organisations must pass to become an SSC. This involves: submission of an Expression of Interest (EoI); a development phase during which a full business case must be produced, including a labour market assessment, a five year strategic plan and an 18 month business plan; and an assessment and approval of the plan that involves widespread consultation amongst key stakeholders. Successful completion of the process leads to a three year licence being granted by the Secretary of State for Education and Skills in conjunction with Ministers in Northern Ireland, Scotland and Wales.

1.20 An initial request for EoIs was issued in June 2002 and, by the beginning of May 2004, 16 SSCs had been licensed covering around half of the UK workforce. It is expected that by mid

2004 the number of licensed SSCs will have increased to more than 20 and that around three-quarters of the workforce will be covered. Where sectors are not yet covered by SSCs it is likely that, in some cases, further SSCs will be developed and in others a sector might choose to work with one of the existing SSCs, with the SSDA providing a service for the remainder.

- 1.21 The effort and resource required to establish a new network of organisations across the UK was always going to be considerable. Moreover, the need to ensure high quality was stressed throughout and, whilst this was bound to add in the short term to the difficulty of setting up the Network quickly, it should produce benefits in the increased robustness, viability and sustainability of the Network over the longer term.
- 1.22 Three broad models of SSC development have so far emerged:
- Organisations which have remained much as before covering very similar sectors, e.g. Construction Skills and Lantra;
 - Organisations which were NTOs previously and have merged with others or taken on wider sectoral responsibility - this is the most common group; and
 - Cases where a completely new start has been made (e.g. Skillsmart covering retail and Skills for Health).
- 1.23 There has also been progress in developing a critical aspect of the Network, namely a formal approach to identifying and developing cross sector skills. Four Cross Sector Boards have been set up to address skills issues that are relevant across a number of sectors. They are:
- Leadership and Management
 - Employability
 - IT User
 - Golden Threads/sustainability.
- 1.24 Three of the Boards are being led organisationally by the SSDA while logic dictated that the IT User Board should be led by e-skills UK. The Boards require a workable organisational structure that will enable involvement of all parts of the Network. Clearly, with the Network not fully in place, the Boards are at the early preparatory phase of implementation and will not become fully functioning until the end of the licensing process.
- 1.25 The Boards are to be based around groupings of interested SSCs who will be asked to opt in and resources will be made available to each SSC to employ a specialist for each of the cross sector areas in which they decide to be engaged. At the time of this study it was not yet clear how widely this offer of additional resources would be taken up. In addition to an SSC

Board, the IT user skills Board has also established an employer group to provide advice. This issue of how the Boards will sit alongside other prominent stakeholders in each area will require to be monitored in the coming period.

Network resources

- 1.26 SSDA funding comes through grant in aid from DfES which, for 2002-03, was budgeted at £16m rising to £50m in 2003-04. A further increase to £73m is anticipated for 2004-05. This increase reflects the building of the Network with more SSCs becoming established. The spend in 2003-04 is set out in Figure 1.4 (drawn from as yet unaudited accounts and therefore potentially subject to change).

Figure 1.4: Budget and spend 2003-04*	
SSDA Objectives	Spend (£m) unaudited figures
Growing the SfBN	8.4
• Establishing SSCs	4.2
• Sectors without an SSC	4.2
Increasing employer influence	12.7
• SSC core funding	10.8
• Cross sector skills	1.9
Improving productivity	3.2
• Network investment	3.2
Developing the SSDA	10.7
• Policy and research	1.4
• Communications and marketing	4.2
• Running costs	4.7
• Capital and depreciation	0.4
Total	35.0

- 1.27 The budget for and spend on the establishment and development of the Network is clearly significant. For the purposes of later evaluations of value for money it will need to be acknowledged that the spend figures in the first 2-3 years of the Network will include a substantial element that represents investment costs in establishing and promoting the Network that won't be replicated in later years.

Concluding observations

- 1.28 The SfBN is intended as a radical departure from the previously prevailing regime of NTOs. It is expected to be a more strategic and influential Network of large and powerful, sectorally organised SSCs, supplemented by a formally constituted cross-sector skills development approach and spear-headed by the SSDA. The budget to establish and develop the Network is significant – an acknowledgement of the effort needed to secure a robust, viable and

sustainable Network capable of facilitating the changes needed in skills development behaviour and performance across employers in the UK to narrow the productivity gap with comparator countries and improve the delivery of public services.

Figure 1.3: Skills for Business Network: Performance Monitoring Scorecard with Phase 1 2004 data

Component	Objective	Measure	Indicators	DFES milestone	Phase 1 data 2004
Strategic Objectives	Improving productivity, business and public sector performance	Productivity Business/Organisational Performance	GVA per worker		£32,000
			International comparisons of GDP per hour worked (USA, Germany, France)		ONS 2004/ABI 2002 UK =100, Japan=87, Germany=116, France= 132 USA=119
	Reduce skill gaps and shortages	Skill gaps Skill shortages	Skill gaps as % of employment		11% England ESS 3% NI ESS 9% Scotland ESS 5% Wales ESS
			Skill shortage vacancies as % of vacancies		20% England ESS 19% NI ESS 18% Scotland ESS 26% Wales ESS
	Increasing opportunities to boost the skills and productivity of everyone in the sector's workforce, including action on equal opportunities	Extent of Formal and Informal Training and Learning Inequalities in Training Workforce Diversity	Proportion of employees receiving job-related training in last 13 weeks and by age, disability, gender, ethnicity, qual, occupation,		LFS (UK 2002/3): Age: 16-24 36%, 25-44 30%, 45+ 22% Gender: M 26%, W 31% Ethnicity: W 28%, Non-W 29% Qualification: L3+ 35%, L2 25%, L1/none 15% Job: mgrs 27%, professionals 45%, assoc profess 40%, admin 27%, trades 18%, personal service 40%, sales 24%, process ops 14%, elementary 16%
	Improving learning supply, including apprenticeships, higher education and national occupational standards	Appropriateness of provision to employer needs	% of employers citing barriers to training (<i>defined in different ways in the employer surveys in the 4 nations</i>)		SfB employer survey 26% to 48% depending on barrier

Component	Objective	Measure	Indicators	DFES milestone	Phase 1 data 2004
	Sector Specific Objectives	Sector Specific Measures	Sector Specific Indicators		
Operational Objectives	Raising employer awareness of the Skills for Business network, SSDA and SSC	Employer awareness of the Skills for Business network and SSC	Proportion of employers aware of existence of network; Agency; SSCs	Network – 25% SSDA – 10% SSC – 25%	SfB employer survey Network – 19% SfB SSDA – 7% Any SSC – 12% Own SSC – 30%
		Employer understanding of the Skills for Business network and SSCs	Proportion of employers with understanding of network; Agency; SSCs	Network – 10% SSDA – 5% SSC – 10%	SfB employer survey Network – 9% SfB SSDA – 9% Any SSC – 10% Own SSC – 22%
		Employer engagement	Proportion of SSC funding secured from employers	Monitor only	Information not yet available
	Engaging employers with the Skills for Business network objectives		Proportion of employers who have had dealings with the SSCs	10%	SfB employer survey 6% sector employers 20% aware employers
	Raising employer commitment to training	Employer commitment	Proportion of businesses engaged in training employees	Monitor only	59% England ESS 2003 51% Scotland ESS 2003 53% Wales ESS 2003 42% NI ESS 2002
			Proportion of Small employers (less than 50 employees) engaged in training employees		58% England ESS 2003 48% Scotland ESS 2003 51% Wales ESS 2003
			Employer spend on training per employee per annum	Monitor only	£243 England ESS 2003
			No. of training days per employee per annum	Monitor only	5.7 England ESS 2003
			Proportion of employers iIP accredited		16% SfB employer survey (15% all SSCs)
	Sound skills and labour market intelligence	Quality of labour market information and intelligence	% of partners satisfied with quality of LMI		SfB stakeholder survey 72% SSDA & 63% of partners' ratings of SSCs (6-10 rating)

Skills for Business Network – Phase 1 Evaluation
Section 2: Evaluation objectives and methods

Component	Objective	Measure	Indicators	DFES milestone	Phase 1 data 2004
	Policy influence	Policy influence	Stakeholder survey: % stating positive influence.		SfB stakeholder survey 92% of partners ratings for SSC (major or minor impact) 65% of partners ratings for SSC on influencing policy at 6-10
	Developing partnerships	effective		5	4
	Stakeholder Satisfaction	Sector Skills Agreements with Employers satisfaction with SSCs	Number of Sector Skills Agreements in Development % of employers satisfied or better with licenced SSCs	65%	SfB employer survey 65% of employers ratings for SSC at 6-10
		Partners satisfaction with SSCs/network	% of partners satisfied or better with licenced SSCs	50%	SfB stakeholder survey 77% of partners' ratings for SSC (6-10 ratings)
	Sector Specific Objectives	Sector Specific Measures	Sector Specific Indicators		
SSDA Support Objectives					
	Ambassador and Champion	Profile of the Network	Perceived development of a coherent 'network'		61% agree SfB stakeholder 58% 6-10 rating success
	Network Developer	Network coverage	Number of SSCs licensed	16	16
			Proportion of the workforce covered by SSCs	Monitor only	50% coverage "Support SSC" 53% 6-10 rating satisfaction
	Network Regulator	SSC performance	Proportion of SSC Annual Reviews satisfactory performance or better		Tbc 54% stakeholders 6-10 rating success "regulator"
	Network Coordinator	Promoting joint activity	Perceived value of SSDA in networking		SfB stakeholder survey "SSC dialogue" 55% 6-10 rating success "Information exchange" 52% 6-10 rating success
	Expert Adviser	Advice and assistance provided	Quality of advice provided by SSDA		SfB stakeholder survey "Meet needs" 48% 6-10 rating success, "adviser to SSC" 43% 6-10 rating satisfaction
	Partner in Network	Cross sector activity	Barriers to generic/cross sector training supply.		SfB employer survey 17% to 35% depending on barrier

Component	Objective	Measure	Indicators	DFES milestone	Phase 1 data 2004
Network Strength Objectives	Stakeholder Satisfaction		Stakeholder satisfaction: % stating positive influence on generic/cross sector policy		SfB stakeholder survey 33% 6-10 rating satisfaction 14% DK
		Coverage of non-SSC sectors	Percentage of partners satisfied with SSDA acting as a proxy SSC		SfB stakeholder survey 20% 6-10 rating satisfaction 32% DK
		Partner satisfaction with SSDA	% partners satisfied with SSDA	65%	56% SSDA (6-10) rating SfB
	Corporate Governance	Effectiveness and Efficiency of Corporate Body	Absence of or reduction in significant matters in Audit reports		No significant matters identified in internal or external audit reports received
	Financial Viability	Liquidity Viability	Absence of cash-flow problems		No cashflow problems identified by the SSCs who have produced reports or indicated by their management accounts received during the period being reported, within the context of their financial arrangements
	Capacity and Capability	Organisational development	Net assets and net current assets		5 of 6 OK
		Business Plan Delivery	IIP Recognition within Network		10 Accredited and 6 working towards IIP status
			Contractual outcomes achieved		Information available in July 2004

2 Evaluation objectives and methods

Introduction

- 2.1 This chapter sets out the key objectives which the research was commissioned to address and the methods that were adopted to do so.

Terms of reference

- 2.2 The evaluation was commissioned at a relatively early stage in the development of the Network. Therefore, it was intended to provide quantitative analysis that would help to set a baseline for the Network, the SSDA and individual SSCs. There was to be a formative aspect to the evaluation in the sense of providing advice and recommendations on the future development of the Network and a summative element that provided observations on the effectiveness and added value of the Network to date. The work was also designed to inform the annual report to Ministers in March 2004 and the 2004 Spending Review.

- 2.3 The key objectives set for the evaluation were:

- To assess whether the SSDA and the SSCs have successfully adopted strategic objectives and priorities that are consistent with both the overall aims of the SfBN and the contextual conditions in which they operate – at sectoral level and in England and the countries covered by the devolved administrations;
- To evaluate the extent to which – and the ways in which – the SSDA and the SSCs are pursuing activities that meet their objectives (or are likely to do so) and to identify how their effectiveness in these terms could be improved;
- To provide an assessment of the value for money associated with Government funding of the SSDA and the SSCs and advise on whether and how cost-effectiveness in the use of these funds could be improved;
- To provide advice and assistance to the SSDA and the SSCs that will enable more effective and cost-effective use of Government funding (including the identification and dissemination of practices that work well in meeting SfBN objectives);
- To advise on any changes that might be required in the performance monitoring and evaluation framework including the specification of the core strategic and operational indicators and the processes for monitoring and future evaluation;
- To explore issues not fully addressed through the performance monitoring system because consistent indicators are not available, e.g. informal learning, business

performance and latent skill gaps. It will also need to ensure other factors are reported on in greater depth, e.g. the critical components of satisfaction.

- 2.4 The study was shaped by an earlier piece of work that SSDA commissioned from SQW to inform the development of a performance monitoring and evaluation framework for the SfBN. The framework is designed to provide a tool for assessment of the extent to which the SfBN is achieving its policy objectives. It has two components: a performance monitoring system (which will provide the basis for collecting performance information, i.e. measures, targets and indicators); and evaluative research to supplement the performance data.
- 2.5 The information gathered and analysed for this report fulfils the requirements of the framework. However, while the framework is intended to track performance over time, the SSDA has been established for less than two years and four SSCs had been fully licensed by the end of 2003 (although over 20 are expected by mid 2004). Therefore, much of the study focus has been on the extent of progress made to date and what this means for likely future impacts rather than asking what major changes have been achieved in such a limited period. This reflects an emphasis in the brief which stated that a *“principal aim of this first year evaluation therefore is to begin to provide baseline information on how the SfB Network is performing.”*

Methods

- 2.6 The evaluation comprised a series of inter-related strands each commissioned separately by SSDA. These are summarised below.

Skills for Business 2003 Employer Survey⁴

- 2.7 IFF Research Ltd was commissioned to undertake a survey of employers. The sample was representative of employers across the UK with the exception of single person enterprises. Over 13,000 interviews were completed by telephone between December 2003 and January 2004.
- 2.8 The survey was to help populate the scorecards by informing the estimation of the performance indicators, (e.g. around employer awareness, understanding, engagement, satisfaction), and to generate some evaluation information. It also provided evidence on the factors contributing to satisfaction and perception of the Network amongst employers and established a basis for measuring changes in their attitudes and behaviour over time. In addition it contained a set of questions around the issues facing businesses more generally and the ways in which these might be addressed.

⁴ This is the way the survey will be referred to in the rest of this report to distinguish it from the employer skill surveys carried out in the different nations of the UK.

Skills for Business 2003 Stakeholder Survey

- 2.9 IFF Research Ltd was also commissioned to undertake a survey of key stakeholders. The survey has again informed core performance indicators (e.g. on influence and satisfaction) amongst stakeholders, plus a number of performance indicators that apply specifically to the SSDA. It also explored wider evaluation issues, e.g. factors associated with satisfaction and influence and broader changes in attitudes and behaviour of stakeholders.
- 2.10 A total of 168 interviews were completed by telephone between December 2003 and January 2004. These were drawn from a database of stakeholder contacts generated through referrals from government departments and agencies and SfBN members (such as SSC staff and board members). This approach was adopted as there was no reliable database of the extended stakeholder group either for the Network as a whole or individual SSCs

Case studies

- 2.11 GHK Consulting and SQW were commissioned to undertake a series of case studies. These adopted a qualitative focus to complement the two quantitative surveys. The research in the first stage of this strand of work was based on:
- a review of the documentation underpinning the development of the SSCs, Cross Sector Boards, the SSDA and the Network as a whole; and
 - case studies selected to represent the diversity of the Network at this stage of its evolution.
- 2.12 The case studies were selected to give a sectoral mix, to allow for differing sectoral complexity and scale and to cover organisations of different levels of maturity and varying closeness to being licensed SSCs. The 12 case studies selected at this stage included two fully functioning SSCs (using established Trailblazer SSCs as a proxy), four licensed SSCs, three SSCs in development, two Cross Sector Boards and the SSDA.
- 2.13 The case study method involved a review of relevant documentation and interviews with organisational staff and stakeholders (including employers). It focussed on understanding the context of their operations and the nature and scale of activities in the different organisations. Their objectives, priorities and operations were considered for robustness against the sector conditions described in their documentation and generated through the employer survey described above.

Feasibility study

- 2.14 At the same time as these three research strands were being conducted, Cambridge Econometrics was commissioned to examine possible methodologies for assessing the impact of the Network at a macro-economic level. This study is explorative in nature, reviewing previous experiences of examining skills and economy wide policy interventions to understand what quantitative techniques might reasonably be applied in the case of the evaluation of the SfBN and what investments might need to be made now to enable this to happen.

Report structure

- 2.15 The remainder of this report is structured as follows:
- Chapter three considers the conditions in which the SfBN in its various forms had to operate and which it was seeking to influence for the better to meet its objectives
 - Chapter four then reports on evidence of Network activities and progress to date, in particular on how far employers and stakeholders are aware/engaged with the Network
 - Chapter five sets out the conclusions and recommendations that can be drawn from the learning generated through the evaluation.

3 The current state of play

Introduction

- 3.1 This chapter describes the context in which the SSDA and the SSCs were operating in terms of the labour market conditions at the start of the policy.
- 3.2 The chapter is, in effect, a statement of the *baseline* both in terms of the relevant strategic indicators (that the Network is seeking to influence for the better) and the operational indicators (that describe progress with Network activities). The baseline is expressed in terms of the appropriate indicators in the performance scorecards described in Chapter 1. The chapter also identifies the issues and priorities that can be identified from the baseline data (as illustrated also in Figure 1.3) to which the SSDA and the SSCs will have to respond and which might deserve consideration in later monitoring and evaluation exercises.
- 3.3 For ease of reference, the relevant sections and indicators within the performance scorecard are highlighted in boxes at the outset of each sub-section. The text that follows amplifies and explains the issues surrounding the indicators, the intentions espoused and the progress achieved by the relevant elements of the Network with respect to the set of indicators.
- 3.4 The chapter draws its evidence from the document review and the case studies and the Skills for Business 2003 Employer Survey. Where appropriate this information is cross referenced against the “*national employer skill surveys*”⁵

SfBN objectives and operations

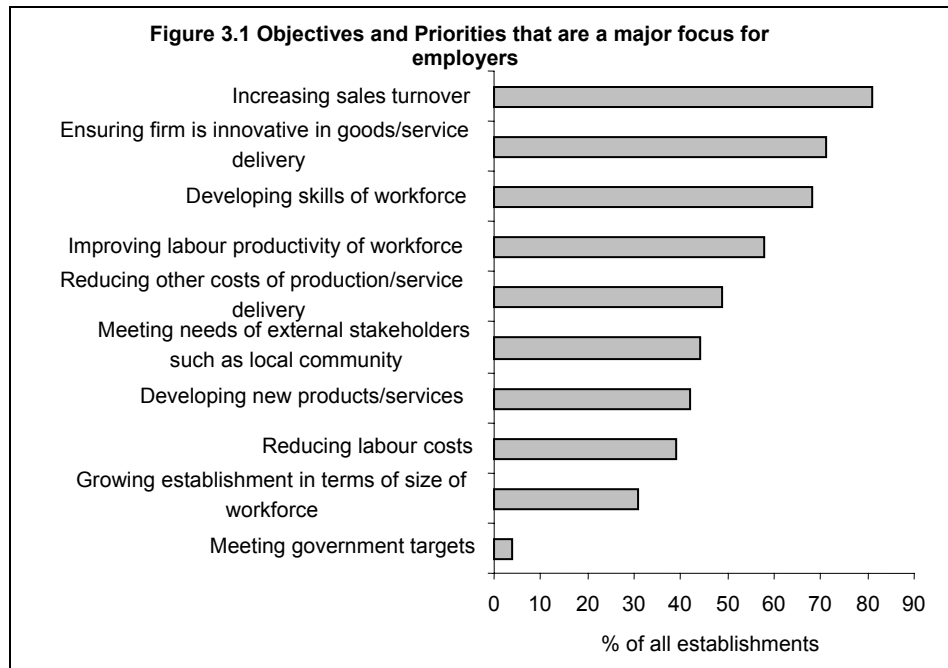
Productivity

Skills for Business Network: Performance Monitoring Scorecard – Strategic Objectives	
Objective: Improving productivity, business and public sector performance	
<u>Productivity</u>	
UK GVA per worker, 2001 (<i>ONS Annual Business Inquiry</i>) :	£32,000

⁵ This is the generic term that is used in the rest of the report when reference is being made to the separate (and differently named) surveys that are conducted in the UK nations – the National Employers Skills Survey (England), the Skills Monitoring Survey (Northern Ireland), the Scottish Employer Skills Survey (Scotland) and the Future Skills Wales Generic Skills Survey (Wales).

Skills for Business Network: Performance Monitoring Scorecard – Strategic Objectives	
Objective: Improving productivity, business and public sector performance	
International comparisons of GDP per worker (ONS 2004, ABI 2002), base =100:	
UK	100
France	113
USA	127
Germany	99
Japan	91
G7 excluding UK	113

- 3.5 UK productivity is lower than in other advanced economies with output per employee below that of the US and France. The UK's productivity improved over the last 10 years although it remains below the G7 block. It is worth noting that the improved position of the UK is partially due to new estimates of purchasing power parities from the OECD which suggest that the UK's productivity performance relative to that in other countries has been better than previously thought. However, the productivity gap remains and there is clearly more work to be done to narrow it, especially through skills and knowledge development by UK employers. As well as the overall Network agenda to raise productivity, each SSC will need to respond within the context of the different starting levels of productivity and other measures of performance for each sector.
- 3.6 Amongst the key priorities and objectives reported by employers, according to the Skills for Business 2003 Employer Survey, skills development and labour productivity feature highly with 68% of all establishments reporting a strong focus on the skills development of their workforce and 58% with a major focus on improving labour productivity. Attending to these skills issues will also be likely to contribute to the two most common priorities registered by employers: increasing sales and innovative delivery (see Figure 3.1).



Source: Skills for Business 2003 Employer Survey

Skills gaps and shortages

Skills for Business Network: Performance Monitoring Scorecard – Strategic Objectives		
Objective: Reduce skill gaps and shortages		
Skills gaps		
Skills gaps as a % of employment in England, 2003 (Employers were asked for the proportion of staff who were not fully proficient):	(National Employer Skill Surveys)	11%
Skills gaps as a % of employment in Northern Ireland, 2002 (Employers were asked for the proportion of staff where skills gaps occur that mean an organisation cannot meet its business objective)		3%
Skills gaps as a % of employment in Scotland, 2003 (Employers were asked for the proportion of staff who were not fully proficient):		9%
Skills gaps as a % of employment in Wales, 2003 (Employers were asked for the proportion of staff where there was a significant gap between the skills they had and those needed to meet the current business objective):		5%
Skills Shortages		
Skill shortage vacancies as % of vacancies in England, 2003 (Employers were asked for the number of hard-to-fill vacancies that were related to at least one of the following 'Low number of applicants with the required skills', 'Lack of work experience the company demands' or 'Lack of qualifications the company demands'):	(National Employer Skill Surveys)	20% of vacancies
Skill shortage vacancies as % of vacancies in Northern Ireland, 2002 (Employers were asked for the number of hard-to-fill vacancies that were related to skills shortages)		19% of vacancies
Skill shortage vacancies as % of vacancies in Scotland, 2003 (Employers were asked for the number of hard-to-fill vacancies that were related to skills shortages):		18% of vacancies
Skill shortage vacancies as % of vacancies in Wales, 2003 (Employers were asked for the number of hard-to-fill vacancies that were related to skills shortages):		26% of vacancies

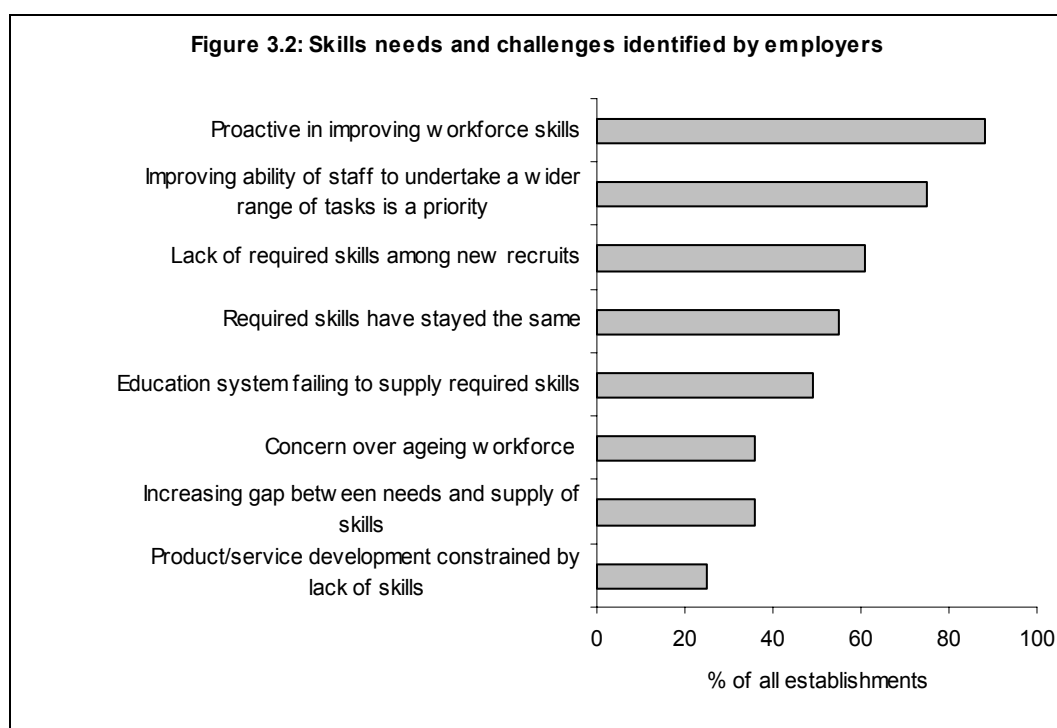
- 3.7 Skills gaps are apparent across 11% of all employees in England, 3% in Northern Ireland, 9% in Scotland and 5% in Wales. It must be noted that these figures are not wholly comparable because of the differences in data collection and definitions adopted by the different surveys. The range of reported skill gaps across all SSCs is fairly narrow in the nations and regions of the UK, for example in England the range is 9% to 14%, and in Wales 4% to 12%. However, this may well disguise more major differences between sub-sectors. Indeed, our consultations with SSCs on their individual performance scorecards revealed that skills gaps were typically not identified across a whole sector but by sub-sectors or occupations.
- 3.8 Skills shortages on the other hand (as represented by skill shortage vacancies reported in the employer skills surveys) vary widely across sectors as a proportion of total vacancies. For example, in Northern Ireland the range is 4% to 41% (2002) and in Scotland it is 4% to 39% (2003). The average proportions of vacancies that are related to skills shortages are similar for England (20%, 2003), Northern Ireland (19%, 2002), Scotland (18%, 2003) and Wales (26%, 2003). As with skills gaps, we found that skills shortages tended not to be identified by SSCs across a whole sector but by sub-sectors or occupations.
- 3.9 There are some common patterns in skills-shortage vacancies by occupation, though also some interesting differences. In England and Wales, skills-shortage vacancies are concentrated in skilled trades and associate professional occupations (and also professional occupations in England). In Northern Ireland skills shortage vacancies are concentrated in craft-related occupations, amongst plant and machine operatives and in 'other' occupations. In Scotland, the skills-shortage vacancies are in personal services, sales and customer services and elementary occupations as well as skilled trade occupations.
- 3.10 Examining the trends in data by the national employer skills surveys must be done with caution, as the surveys vary between years and do not necessarily provide comparable data. This occurs because of different wording of questions and differences in how answers are recorded. For example in the case of skills gaps in England, a less strict measure of skills gaps was adopted in 2003 resulting in a rise from 4% in 2001 to 11% in 2003 (though a comparable figure for 2001 is 9%). Due to variation in questioning, it is not self-evident how to interpret the apparent increase in skills gaps in Scotland (6% in 2002 to 9% in 2003) nor what to read into the apparent stability in skills shortages (21% in England in 2001 and 20% in 2003 and 18% Scotland in both 2002 and 2003).
- 3.11 It is difficult to know what lies behind these apparent increases in reported skill gaps. It could, for example, be that expectations and standards are rising at a faster rate than the supply of suitably skilled people can match rather than reflect an absolute decline in the flow of the latter. This is an area that needs to be closely monitored and scrutinised by the SSDA

and the SSCs, particularly in terms of sub-sector and regional differences, because the implications in terms of policy and interventions are very different.

- 3.12 In considering the skills challenges that the Network faces we have stepped outside the boundaries of the scorecard and provide additional information in the following paragraphs on aspects of the challenge that seem, from the evidence of the SSCs' market assessments, to be likely to exercise a particular influence on performance against the SfBN strategic objectives.
- 3.13 The skills challenge can be seen differently depending on the point of view. This can be demonstrated by contrasting how the SSCs perceive the most serious challenges with the employers' view. Figure 3.1 shows, as would be expected, that the preoccupation of the latter is primarily with internal concerns – what they need to do to improve their operating performance (amongst other things through skills enhancement). However, the review of the SSCs' documented assessments of the challenges facing their sectors demonstrated that their perspective was appropriately broader than that of individual employers and more externally focused.
- 3.14 A few statistics will make the point. The sectoral labour market assessments carried out by 19 SSCs were reviewed for the evaluation and revealed that: ten SSCs identified the demographic trend to an ageing workforce as a real challenge; nine saw legislative change in this way; nine pointed to the rapid rate of technological change; and eight emphasised the importance of structural change and the need to increase demand for their products/services. Those SSCs that identified skills specific challenges as being critical to their sector were fewer in number and the most often quoted skill challenges were in leadership/management and basic skills.
- 3.15 The Skills for Business 2003 Employer Survey painted a different picture – see Figure 3.2. Over 75% of employers reported some sort of skills challenge but only one third referred to an exogenous factor as a serious challenge related to skills, namely concern over an ageing workforce. There did not appear to be a connection being made between the skills challenge and the contextual competitive challenge – i.e. the skills enhancements that would be needed to meet the demographic, legislative, technological and/or structural challenges posed by trends in the external environment. It is this apparent 'disconnect' between the external competitive imperatives and the appropriate skills enhancement response by employers that the SfBN was set up to help address and make good.
- 3.16 In order to do this, the Network and its constituent parts need to understand the employers' perspective and connect the it with advancement of sectoral, country/region and national performance. To this end, the following paragraphs report how the employers see the major skills challenges that need to be addressed. The account has to start with the troubling

observation that, whatever the external challenges, two-thirds of employers reported difficulties recruiting people with the required skills over the last year⁶.

- 3.17 Employers were divided on the extent to which their skills needs have stayed the same over a number of years, with smaller firms agreeing more strongly that skills needs had not changed (59% of very small establishments). It may be that these firms are not experiencing major problems but the survey results may also indicate an important lack of understanding amongst small employers of the importance of continuing skill development. This would suggest that smaller employing organisations may need to be a particular target for SSC efforts to demonstrate the case for investing in up-skilling.
- 3.18 Generally, those who had funded or arranged training tended to disagree that skills needs had stayed the same. Clearly, for them, the imperative for skills enhancement was one that changed with the times and demanded a commitment to continuous investment in training. It should be noted that three-quarters of those employers facing skills challenges acknowledged the increasing need for multi-skilling and that improving the ability of staff to undertake a wider range of tasks was a priority.



Source: Skills for Business 2003 Employer Survey

⁶ According to the Skills for Business 2003 Employer Survey, 61% of firms agreed that, when taking on new recruits, they have problems finding people with the required skills; this is a broader measure than skill shortage vacancies discussed earlier as the reference period is the last year, rather than 'current'.

- 3.19 Finding people with the required skills when recruiting was an issue for 61% of all employers and 49% of employers agreed that the education system was failing to equip the workforce with the required skills. These issues appear to be shared amongst those employers who were more likely to report problems relating to lack of skills amongst recruits, to the failure of the education system to provide an adequately skilled workforce and to constraints on product development caused by a lack of skills.
- 3.20 It is worth noting, given the point made earlier about the significance attached by the SSCs to external challenges, that only 36% of employers reported concern about an ageing workforce and just one in four believed that their need to develop more complex products or up-market services was constrained by a lack of skills. However, concern about the implications of demographic change was reported by over 50% of employers in a small number of sectors.
- 3.21 There was some evidence from the survey to suggest that having a business or training plan in place may be associated with fewer potential problems associated with an ageing workforce. Similarly, despite being reported by a relatively small proportion of all employers, the issue of skill-constrained technological development was seen to be a significant challenge for performance improvement in some sectors. The importance of both the demographic and technological context for skills development was recognised in the documentation of a good number of the SSCs that were reviewed and these two issues could form an important focus for dialogue between SSDA and the SSCs and the employers they represent.
- 3.22 The gap between needs and availability of skills in the workforce was reported to be widening over time across 36% of employers. This was expressed slightly more strongly amongst small firms and strongest amongst those who had contact with their SSC.
- 3.23 Of those employers reporting at least one skills challenge, a large proportion reported that some of their skills shortages were industry-specific. Half of the employers reported that their skills challenges were partly explained by a lack of generic skills.

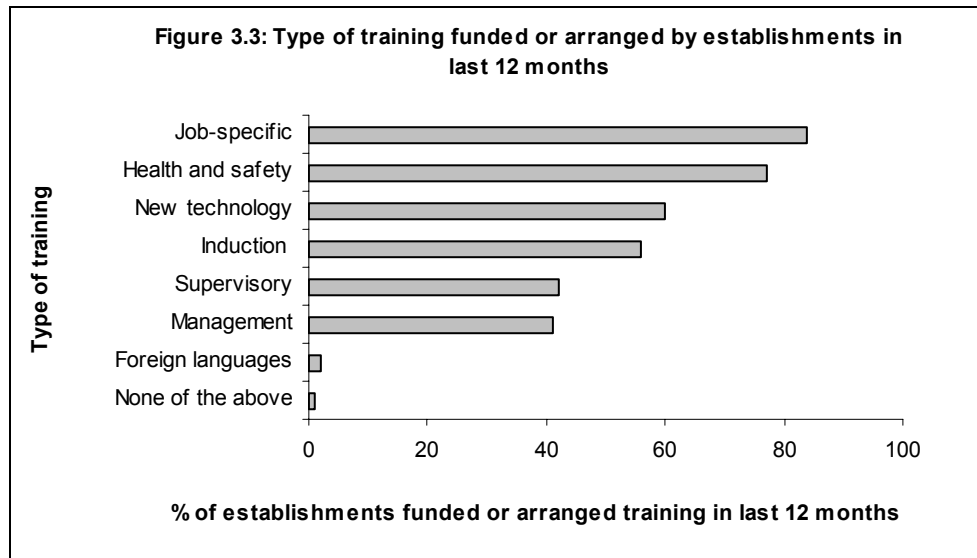
Training and workforce development activity

This section considers baseline data against both an operational objective and a strategic objective, as both are related to training and workforce development activity in the workplace and it is more appropriate to discuss at this point. The discussion begins with the operational objective to raise employer commitment to training and considers training patterns and commitment by employers. The strategic indicator is focussed on promoting equal access to training for all employees as a proxy indicator against the strategic objective of ‘Increasing opportunities to boost the skills and productivity of everyone in the sector’s workforce, including action on equal opportunities.’

Skills for Business Network: Performance Monitoring Scorecard – Operational Objectives	
Objective: Raise employers commitment to training	
<u>Employer commitment in England (National Employer Skills Survey)</u>	
% of business engaged in training employees (i.e. whether establishment has a training plan, a business plan or a budget for training expenditure), 2003:	67%
% of businesses who have arranged training (either on or off the job) for staff in last 12 months, 2003	59%
% small employers (less than 50 employees) providing training (either on or off the job) for employees, 2003:	58%
Employer spend on training, 2003 (out of pocket expenditure by employers on training per employee) amongst employers who are engaged in training employees (59% of all employers in England)	£243
No. of training days per employee per annum, 2003:	5.7
<u>Employer commitment in Northern Ireland (National Employer Skills Survey)</u>	
% of businesses who have arranged training (off the job) for staff in last 12 months, 2002:	42%
<u>Employer commitment in Scotland (National Employer Skills Survey)</u>	
% of business engaged in training employees (i.e. whether establishment has a business plan, HR plan, or a budget for training expenditure), 2003:	68%
% of businesses who have arranged training for staff (away from their immediate workplace i.e. their desk) in last 12 months, 2003	51%
% small employers (less than 50 employees) who have arranged training (away from their immediate workplace i.e. their desk) for employees in last 12 months, 2003:	48%
<u>Employer commitment in Wales (National Employer Skills Survey)</u>	
% of businesses who have arranged training (off the job) for staff in last 12 months, 2003	53%
% small employers (less than 50 employees) who have arranged training (off the job) for employees in last 12 months, 2003:	51%
<u>Investors in People accreditation (Skills for Business Survey 2003, of Employers)</u>	
% of businesses IiP accredited	16%

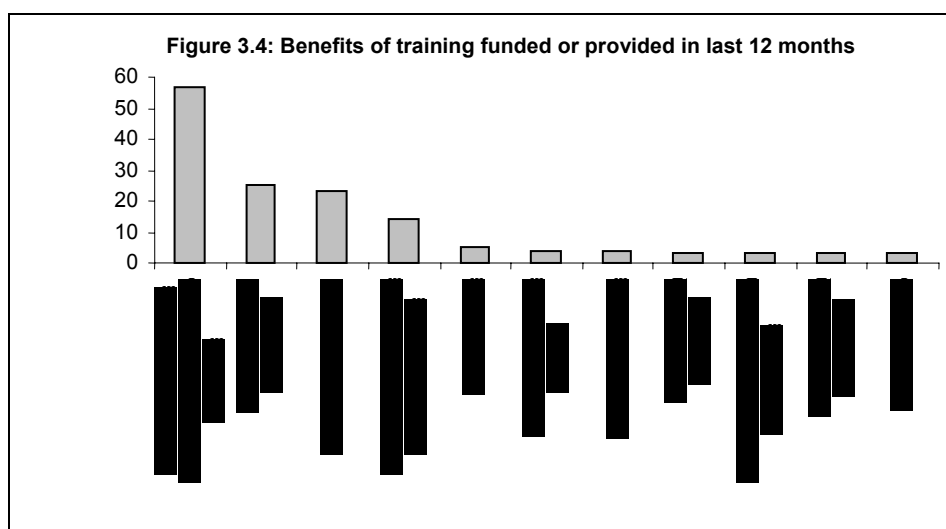
- 3.24 The national employer skills surveys indicate that, for both England and Scotland, around two-thirds of employers have a business plan, an Human Resource (HR) plan or a budget for training expenditure (a training plan is also included for England). The data on the proportion of businesses who have arranged training for their employees varies in measurement between countries. In England, 59% of employers have arranged training for staff in the last 12 months, which is higher than in Northern Ireland, Scotland and Wales, though in England this did not exclude on-the-job training. The proportion of employers arranging training for staff varies with company size, though the figures do not show the true extent of this because the headline figure is skewed by the fact that most employers (about 95%) are in fact small employers.
- 3.25 There are some significant ranges in the figures by SSC. For example, regarding the proportion of employers who have arranged training for their staff in the last 12 months, the range in Wales is 33% to 90%. Similarly wide ranges are found in other countries (England 41% to 92%, Northern Ireland 24% to 70%, and Scotland 36% to 83%). This is also reflected in the range for employers with IiP accreditation, with a range amongst SSCs of 6% to 65% and an overall proportion of 16%.

- 3.26 The Skills for Business 2003 Employer Survey found that most employers claimed they were contributing to the development of their workforce especially amongst larger firms particularly with regard to job-specific, health and safety, and new technology related training (see Figure 3.3).



Source: Skills for Business 2003 Employer Survey

- 3.27 The perceived benefits of training were reported in terms of increasing overall skill levels, improving labour productivity and motivating staff (see Figure 3.4). It is worth noting that these all reflect improvements in the internal operations of the employing organisations rather than responding to particular external challenges. Moreover, the benefits were all reported more frequently by larger firms, suggesting that smaller firms have different priorities or lack awareness or understanding of the productivity and proficiency benefits of training.



Source: Skills for Business 2003 Employer Survey

- 3.28 This Network strategic objective also includes specific reference to actions by employers on equal opportunities and particular indicators are included in the scorecard to capture this (see the box below).

Skills for Business Network: Performance Monitoring Scorecard – Strategic Objectives			
Objective: Increase opportunities to boost the skills and productivity of everyone in the sector's workforce . . . including action on equal opportunities			
<u>Extent of formal and informal training and learning inequalities in training workforce diversity</u>			
% employees receiving job-related training in last 13 weeks, 2002/3 (LFS):			28%
16-24	36%	Managers & senior professionals	27%
25-44	30%	Professional occupation	45%
45+	22%	Associate professional & technical	40%
		Admin & Secretarial	27%
Male	26%	Skilled trade occupations	18%
Female	31%	Personal services occupations	40%
		Sales & customer services	24%
White	28%	Process, plant & machine	14%
Non-white	29%	Operatives	
		Elementary occupations	16%
Level 3+	35%		
Level 2	25%		
Level 1/no qualifications	15%		

- 3.29 The Labour Force Survey (2002/03) indicated that under one-third (28%) of employees had received job-related training in the last 13 weeks. Within this, there is more detail to be gained relating to the proportions of employees with certain characteristics that received job-related training. As demonstrated from the evidence in the scorecard indicators above, there is a significant variation in the proportion of different segments of the workforce in receipt of training by:

- **Age** – younger employees are more likely to have received training in the last 13 weeks
- **Gender** – females slightly more likely to have received job-related training
- **Qualifications** – the higher the level of qualification possessed by an employee, the more likely they are to receive training
- **Occupations** – certain occupations are more likely to have received job-related training, e.g. people in professional and associate professional and technical occupations, and those working in personal services occupations.

- 3.30 There are very few variations across the sectors in these observations – they seem to hold generally throughout the economy. For example, the pattern of younger employees being

more likely to receive job-related training occurs across all sectors for which we have information.

- 3.31 This evidence does not of itself suggest that major distributional issues with respect to gender and black and minority ethnic (BME) groups are reported by employers with regard to training demand and provision. However, it is worth noting that our review of SSC documentation revealed that six SSCs identified the under-representation of specific groups in employment as a particular skills challenge in their sectors – specifically, with regard to under-representation of women and BME groups. So, this suggests that there could be a job to be done by SSCs with respect to distributional issues that the employing organisations themselves may not fully recognise across the board but perhaps particularly in certain sectors

Relevance of learning supply

Skills for Business Network: Performance Monitoring Scorecard – Strategic Objectives	
Objective: Improve learning supply, including apprenticeships, higher education and national occupational standards	
<u>Employers reporting barriers to training¹</u>	
Mean proportion reporting as a barrier to either/both generic skills and job specific skills, 2003/4 (<i>Skills for Business 2003 Employer Survey</i>):	33%
Range of proportions reporting barriers, 2003/4 (<i>Skills for Business 2003 Employer Survey</i>):	26%-48%
<u>Employers reporting lack of suitable training</u>	
% employers reporting a lack of suitable training provision as a barrier (as key example of the 7 different barriers), 2003/4 (<i>Skills for Business 2003 Employer Survey</i>):	27%
¹ The Skills for Business 2003 Employer Survey reports 7 different barriers to training. Here we report the mean of the proportions of employers reporting these barriers, and the range.	

- 3.32 The Skills for Business 2003 Employer Survey asked employers about seven different barriers to developing the workforce as a means of measuring employer perception of accessing training and the learning supply. The average reporting of these as a barrier to developing generic skills or job-specific skills or both was 33% of employers. There were differences between the different types of barrier (a range of 26% to 48%). The most commonly cited barriers were the disruption to work patterns caused by people being away from work for training (48% of employers reporting this as a barrier) and the financial cost of training (44%). The other five barriers were in a small range of 26% to 31%, including the lack of suitable training (reported by 27% of employers). These findings suggest that, in general, barriers are less to do with poor training provision, but with the cost of training and its effect on the company's day-to-day running.
- 3.33 Employers were more likely to deliver training internally (34%), or through external consultants or training providers (34%) than by other means such as through FE colleges or dedicated training centres and HE institutions. For larger firms each type of provider was used

more but a noticeably higher proportion of training is delivered internally (by 85% of the largest firms).

- 3.34 As well as engaging with the supply side of training, there is a role for SSCs in tackling supply and demand-side issues. Some of these barriers are noted as being extensive (source: Skills for Business 2003 Employer Survey) demonstrating the importance of this role for the SSCs. Analysis of the barriers to training reported by employers indicates that small firms are more likely to face barriers in accessing training (particularly a lack of knowledge about the training available, a lack of appropriate training being available anyway and a concern that the acquisition of skills may cause staff to demand higher wages).
- 3.35 Overall, the most significant barriers to training resulted from the potentially adverse effects of staff absence from the workplace and the direct cost of training itself. SSC activity may have a high potential pay-off for the likely costs incurred if it was directed at improving knowledge about the training available – nearly one third of employers saw this as a barrier to training. There are generally not significantly large variations in the reporting of barriers by country, although in Scotland availability (in the Highlands) and cost generally appears to be a bigger issue, as does lack of information in Northern Ireland.
- 3.36 Perhaps not surprisingly, the majority of employers (76%) agreed or agreed strongly that financial assistance would encourage provision of training for staff. Also important was the flexibility of delivery of training, with 59% agreeing that increased flexibility would encourage more training of staff. This again may be an area where SSCs could positively intervene.

Concluding observations

- 3.37 Firstly, one of the main observations that can be drawn from the evidence reviewed and generated for the evaluation is that there are clearly major issues confronting employing organisations in the UK with respect to skill deficiencies (especially in some sectors).
- 3.38 Secondly, the evidence also indicated that a good proportion of employing organisations claimed to be contributing to the skills development of their workforce through their commitment to training. On the face of it, this observation sits uneasily with the evidence on the extent of skills deficiencies and deserves further investigation.
- 3.39 Thirdly, barriers to increased training were identified from the evidence especially for smaller organisations (such as lack of knowledge about the availability of training).
- 3.40 Fourthly, the SfBN has a job to do in helping employer organisations to become even more committed to training and to secure the benefits from their training investment.

- 3.41 Fifthly, one of the ways of doing so is for the SSDA and the SSCs helping to bridge the inadequate connection that there seems to be between the external competitive factors that drive sectoral development and the responses by employing organisations within the sectors in terms of skills development.
- 3.42 The evidence seems to suggest that the SSDA and SSCs should be scrutinising their sectors closely to identify the priority sub-sectors and groups of firms – e.g. those with more immediately pressing skill challenges and with a declared commitment to workforce development but little training investment and where the barriers to training are cited in terms of lack of information on what is available. Such a set of priorities could provide the SSDA and the SSCs with some quick but significant “wins”.
- 3.43 Finally, more specific SfBN interventions could be to encourage skills enhancement amongst smaller firms and to redress distributional imbalances (especially with respect to women and BME groups). The evidence from the evaluation on this suggests that there is not necessarily an issue regarding training provision amongst different groups but rather under-representation in certain sectors as shown by the review of SSC documents. Some SSCs are working to encourage greater representation in their sectors amongst women and BME groups.

4 Evidence of progress

4.1 This chapter examines the progress that has been made by the Network and its constituent parts so far and provides the baseline against which future progress might be tracked. While it is too early to expect shifts in the indicators for the Network's strategic objectives (reflecting the conditions the Network is seeking to influence for the better), the evaluation can focus on the effectiveness with which the ground has been cleared and the foundations laid for the further and robust development of the Network as a whole. The chapter is split into four sections:

- **Network development and activities:-** Provides an introduction to the ways in which the Network is developing, particularly through the SSCs, and the main types of activities that are being carried out in pursuit of the Network's strategic objectives;
- **Network priorities and activities:-** Describes progress in the development of robust labour market information and intelligence and the use that has been made of it in determining Network priorities and objectives;
- **Engagement of the Network with employers and stakeholders:-** Looks particularly at awareness and understanding amongst employers and stakeholders of the purpose and functions of the Network and the extent and nature of engagement between the Network's constituent parts and stakeholders and employers;
- **Progress of the Network:-** Reports on the degree of satisfaction with Network progress and the impacts that are being made.

4.2 The chapter draws on different strands of the evaluation process (the case studies, the Skills for Business 2003 Employer and Stakeholder Surveys) as well as previous reviews and evaluations where appropriate. As in the previous chapter, the relevant performance indicators in the scorecard are highlighted in boxes with the following text providing further explanation of what the Network has been doing to influence performance against the indicators.

Network development and activities

Network development

4.3 As the operational implementation of the SSC conceptual model is still relatively new, it is inevitable that the more established SSCs have exercised an important influence in shaping the practical development of the Network (or '*carrying the Network*' as one chief executive was reported as saying in the case study report). But what is interesting to observe is that there

appears to be some convergence in the experience of both established and the ‘newer’ SSCs (i.e. with a clearer break from legacy organisations) to suggest some of the characteristics of what might be termed a ‘good SSC’ as summarised in the box below.

Emerging characteristics of a ‘good SSC’
<ul style="list-style-type: none"> • Employer engagement, influence, and sustainability • A strong management team that is in touch with employers • Strong employer representation on the Board by senior people from industry • Development of high quality and robust labour market information and intelligence • Demonstration of the evidential base that links skills development with organisational and sectoral performance and provides the basis for determining sectoral priorities • Evidence of delivery, of meeting the sector requirements, and of starting to build a credible track record • Evidence of an ability to engage with the supply-side and, for example, funding appropriate training in order to influence provision

- 4.4 The early evidence is that SSCs are strongest in terms of the above characteristics in their management teams and in terms of employer representation on the Board. Employer engagement is more mixed across the Network (as is discussed later) and it is too early to say much about supply-side engagement. It should also just be noted that the development process has put a dual pressure on the SSC Chief Executives in terms of developing their own organisations while also having to be the outward faces of a new Network.
- 4.5 A series of design principles for the development of ‘good SSCs’ can be suggested on the evidence of the Trailblazer evaluation and the current evaluation as set out in the box below.

Design principles for the development of a ‘good SSC’
<p>Achieving coherence in sector coverage</p> <ul style="list-style-type: none"> • For the Network to succeed (and to avoid some of the fragmentation associated with the NTO network) there is a lot of responsibility on individual SSCs to draw their constituent parts together effectively. This is a complicated issue. Coherence will need to be driven by a number of different factors - employer perceptions of the appropriate sectoral definitions, statistical sources and definitions, spheres of SSC influence and the need to secure scale economies. <p>Extending the scope – focusing on productivity not just training</p> <ul style="list-style-type: none"> • This continues to be a key driver for employers remaining engaged and requires SSCs to make the connection between sectoral competitive challenges and the role of skills development in meeting them. • This requires the development of high quality labour market information and intelligence that is credible and persuasive in the eyes of employers, the learning institutions and policy makers. <p>Sub-sector divisions</p> <ul style="list-style-type: none"> • SSCs will inevitably have to incorporate sub-groups or structures to cover sub-sectoral issues but this has to be accomplished in a way, perhaps through a matrix structure, which allows for a regional or horizontal policy structure that cuts across sub-sectoral groups. <p>Employer leadership and direction</p> <ul style="list-style-type: none"> • Engaging employers means winning the ‘hearts and minds’ of the major employers but in ways that ensure they provide leadership and direction that takes account of the interests of smaller

Design principles for the development of a 'good SSC'
<p>employers, sub-sectors and 'hard to reach' employers.</p> <p>Specialisation within staff teams</p> <ul style="list-style-type: none"> A greater degree of functional specialisation (e.g. research; commercial activities; communications; engaging employers) is a key aspect of SSC development but it has also to be seen in terms of the contribution that it facilitates for horizontal links across the Network with respect to marketing, finance, policy and LMI. <p>High calibre executive leadership</p> <ul style="list-style-type: none"> As the Network develops, this is increasingly shown to be a key characteristic for retaining employer involvement. The feedback so far is positive and it is significant that emphasis has clearly been placed on strengthening this by the SSDA as part of the licensing process. <p>UK-wide reach</p> <ul style="list-style-type: none"> Comprehensive coverage of the UK will have to be a characteristic of a good SSC whilst acknowledging that its productivity and sectoral objectives might require particular focus on some regions or sub-regions.

Network activities

- 4.6 The SSCs' business cases and plans outline quite a wide range of interventions, some at a macro/strategic level, others more focused on specific pilots, projects or smaller scale local activities. The plans do not always make clear how these activities link together to form a coherent "offer". Moreover, while it is clear generally how each activity is relevant to the labour market issues identified in the background documentation for the SSC, there is not necessarily a strong sense of the suite of their activities as being either a comprehensive or systematic response to the set of objectives and priorities they have identified. The assessment of one SSC, for example, highlighted the need to benchmark performance in the UK and compare performance to foreign counterparts but this has not, to date, been translated into related activity. Furthermore, the SSC's planned activities make no reference to the skills gaps identified in the assessment. Another SSC recognised that firms with staff who are able to make sense of the complex environment and use it to create business value are more successful. Yet, these observations and challenges are not translated into objectives and activities for the SSC.
- 4.7 However, in general, it appears to be the case that SSCs are following the declaration by one SSC Trailblazer Chief Executive that "*we need to be more strategic – the previous regime was too often about chasing money*". Very broadly, SSC activities have a stronger strategic emphasis and tend to fall in one or more of the following categories:
- Developing national occupation standards and improving the qualifications framework;
 - Mapping learning supply and providing information on available learning;
 - Developing learning/careers related products and services;

- Influencing.

4.8 These activities are variously aimed at individuals, employers, the learning infrastructure, policy makers and other members of the Network. The box below gives a necessarily reductive picture of what the SSCs are doing (derived from the case study report) but it provides an overview of the portfolio of current SSC activities and gives an early indication of what might be the basic SSC “offer”, namely:

- A core focus on high-level lobbying/influencing activities augmented by the development of qualifications and National Occupational Standards.
- Activities/services for employers in terms of the provision of industry diagnostics/support and activities directed at learners in the form of careers advice and signposting.

Categorisation and allocation of SSC activities									
Potential areas of SSC activity	SSC 1	SSC 2	SSC 3	SSC 4	SSC 5	SSC 6	SSC 7	SSC 8	SSC 9
Activities targeting individuals									
Careers Advice			✓	✓	✓	✓			✓
Signposting		✓		✓	✓	✓			✓
Awards	✓	✓							
Funding Training for Individuals		✓							✓
Activities targeting employers									
Networks		✓				✓	✓		✓
Industry diagnostics and support	✓	✓	✓		✓		✓		
Benchmarking	✓			✓		✓	✓		
Funding for training	✓	✓							
Training trainers	✓				✓		✓		
Skills and training provision for employers	✓		✓		✓	✓			
Learning infrastructure									
Occupational mapping					✓	✓		✓	
National Occupational Standards		✓		✓		✓	✓	✓	
Qualifications development		✓	✓	✓	✓	✓	✓		
Qualifications Quality Assurance	✓				✓	✓	✓		
Influencing									
Formal partnership arrangements for service development and delivery	✓				✓	✓			
Participation on various boards and other bodies (e.g. RDA etc)					✓	✓		✓	
Lobbying activities (e.g. formal responses on the part of industry to Green/White Papers etc)	✓	✓	✓	✓	✓	✓			

- 4.9 *Activities aimed at individuals* mostly involve proactive targeting and promotion of careers in the sector to schools and, in some cases, HE/FE institutions and professional institutes. This is often supported by the production and dissemination of materials presented in an accessible and appealing way, such as CD Roms, web sites, virtual learning centre, videos and other promotional events, and awards. These activities are largely aimed at making it easier and more appealing for individuals to enter the sector and remain in it.
- 4.10 *Activities aimed at engaging employers* were shown by the case studies to be a critical part of the SSCs' functions to understand, represent and support employers' needs for skill enhancement. Employer engagement activity varies across the SSCs with some enabling active engagement through membership or levy, and others gaining the breadth but not necessarily the intensity of engagement through surveys or circulation of business planning materials. There is a difference between an SSC engaging employers as a service supplier and working with employers to understand their needs and so influence government and learning suppliers. The two can come together of course by an SSC gaining understanding of employer needs through service delivery. However, care probably needs to be taken to ensure that there is no dilution of the SSCs' strategic role through its engagement in service delivery.
- 4.11 A variety of models have emerged from the SSCs in terms of engaging employers. A number are taking multiple approaches. In all cases, however, it is fair to say that major employers drive the process. The models that have been developed to date are set out in the box below.

Emerging models of employer engagement
<ul style="list-style-type: none"> • One model of employer engagement is by way of membership or levy. This is predominant in the more established SSCs. It provides considerable credibility to the 'voice of the industry' claims. • However, the membership model is not deemed as a viable option – in the short term – for the newer SSCs. Rather, other measures of engagement are being used including big name industry spokespersons or industry leaders that have a personal credibility, businesses participating in SSC processes and activities e.g. in developing national occupational standards, or businesses in receipt of SSC services such as participation in events, take-up of Modern Apprentices and so on. • Another model of employer engagement is based around the circulation of business planning materials for comment or other consultative activities. It can be an effective way of gauging a wide cross-section of employer views, but it is quite a passive under-taking. • One SSC answered the question of representation by talking about having a strong Board. This was the main driver for SSCs credibility as the voice of employers. However, there were a couple of key challenges in this context: <ul style="list-style-type: none"> ▪ Being a representative voice in a fragmenting industry. ▪ Representing not just the large and well-established employers but the SMEs as well. • A final model that is used is to form links with intermediaries (trade associations, local employer groups) – particularly to address SMEs and for SSCs with a large proportion of self-employed within the sector. Almost all of the case study SSCs identified engaging SMEs as an issue, which as one respondent suggested '<i>no-one has managed to crack as yet</i>' Board Director.

- 4.12 Employer support is undertaken (or planned) through a range of activities, some apparently more proactive or intensive than others. Much of this activity is focused around events and promotional activity with some networks formed or supported. Most advisory work takes

place through groups or clubs focusing on benchmarking and skills assessment for employers. For some SSCs this involves ‘light touch’ support such as dissemination of information through promotional materials or providing a forum for discussion. But, other SSCs commission and deliver more intensive support and proactive skills audits with follow-up action plans through networks of mentors, trainers, assessors and verifiers.

- 4.13 *Activities aimed at developing the learning infrastructure* are intended to address lack of appropriate qualifications, poor co-ordination, inadequate clarity through rationalisation of NVQs and the development of new standards and qualifications. Some SSCs have adopted an influencing role only at this stage (through, for example, disseminating best practice) but most have sought a proactive role in developing and setting standards for the industry including building links with universities and FE providers. Some SSCs are also developing training and qualifications frameworks. The appropriateness of these will be confirmed over time as they are adjusted and amended in the light of the use made of them by employers.
- 4.14 Two particular developments should be noted here:
- Sector Skill Agreements – setting out the agenda from employers and the adequacy of supply and developing a shared agenda with providers for the changes needed (it should be noted that the number of Sector Skills Agreements is one of the indicators in the performance scorecard relating to Network operational objectives – it stood at 4 in development in early 2004);
 - A Higher Level Skills Strategy – being developed by the Network as a whole to scan issues across the full skills spectrum and to focus as needed on higher education provision.
- 4.15 Both initiatives are too early in their development to pass comment on their effectiveness but they demonstrate the potential added value that the Network can bring in contrast to the more fragmented and less strategic approach provided by the NTO regime.
- 4.16 *Activities aimed at influencing policy makers* have been rendered more problematic because of the complex pattern of policy making occasioned by devolution, regionalisation and the new ‘localism’. The majority of SSCs reviewed in the evaluation case study report have set themselves up to be influencing agencies through a variety of means but mainly through joint working with key national and regional organisations and policy makers. As noted above, care will need to be taken to ensure that the strategic role of the SSCs is not diluted by their becoming viewed as suppliers to other public sector organisations. There will be more scope for impact if an SSC can change the behaviour and performance of mainstream organisations (such as a LLSC) rather than use the relatively small amounts of resource available to the Network to replace or top up the activities of the mainstream suppliers.

- 4.17 An assessment was carried out for the evaluation of the plans of the SSCs in terms of their proposed influencing activities. This indicated that, for many, the issue is surrounded by a good deal of uncertainty at this stage in the development of the Network and given other developments (e.g. with regard to LLSCs and FRESAs). The aspirations for an effective influencing role have yet to be matched in most cases with action plans that set out who needs to be influenced and why, by what means they will be influenced and what the focus and intended impact of the influencing activity should be.
- 4.18 One of the more established SSCs said that its strategy from an early stage reflected the importance it attached to the RDAs as partner organisations and it had spent time and resources on cultivating links, including accepting (and financing) secondees. One of the Trailblazer SSCs made the point that its development of a regional network was crucial in the context of the sector's regional focus. A licensed SSC stated that it was putting in place individuals within each region to look after employer engagement (and developing employer networks). It sees this qualitative employer engagement as a key strand in the development of regional workforce development plans.
- 4.19 There is a key challenge in the Network engaging with the devolved administrations in trying to build a co-ordinated approach on fundamental issues such as sector definitions, qualifications and standards. However, it was noted by one SSC that the UK wide reach of the Network provided the opportunity for a more joined-up approach across the four countries, particularly around the development of competency standards.
- 4.20 *Activities aimed at working with others in the Network* - there is early evidence that SSCs are pursuing some of the above activities through collaborative efforts with other parts of the Network – typically in smaller cross-sectoral clusters. The types of collaboration that have emerged are exemplified in the box below.

Examples of collaborative activities between Network members	
Joint working	- Three SSCs with similar areas of interest have an agreement to work collaboratively on issues such as career pathways, qualifications frameworks and sharing LMI. There is potential for real added value and, if effective, it will be an example of SSCs of quite different scale working successfully together.
Co-ordinated intervention	– Two SSCs have a similar priority in terms of a specific skills issue. One of the SSCs has a stronger track record in terms of engaging with the HE sector on this point, so the other has agreed to let the more experienced SSC take the lead and then work together.
Information exchange	– An early success at Network level seems to be in terms of the horizontal networks that have been set up. The Intelligence network, for example, is generally seen as a useful collaborative forum – which has added value for individual SSCs in terms of pooling knowledge and sharing ideas.

Network priorities and activities

Main LMI issues and priorities

- 4.21 This sub-section considers the quality and robustness of the labour market information and intelligence gathered and assessed by the SSDA and the SSCs, the issues and challenges that are thus identified for the Network to tackle, and the consistency and “fit” of the Network objectives and priorities with those issues and challenges.
- 4.22 Progress in the development of high quality labour market information/intelligence (LMI) was generally regarded by those partners and stakeholders consulted during the evaluation as critical to establish the authority and legitimacy of the SSCs, the SSDA and the whole Network. As one SSC put it, *“one of the central tasks . . . will be to collect the relevant skills and labour data and continually refine assessment of the sector’s skills and labour needs . . . to be influential across the government and other organisations to ensure the consistent collection and usage of sectoral data . . .”*. And this was also the view of the stakeholders – *“we want the SSCs to be credible, authoritative organisations and that requires a high level of sophistication from the numbers and the analysis”*.

Skills for Business Network: Performance Monitoring Scorecard – Operational Objectives	
Objective: Sound skills and labour market intelligence	
Satisfaction with LMI	
% of stakeholder who have seen SSDA labour market intelligence (LMI) with satisfaction score of 6-10 with the LMI (<i>Skills for Business 2003 Survey – of stakeholders</i>)	Actual 72%
% of stakeholders ratings scoring 6-10 on success in producing high quality LMI (<i>Skills for Business 2003 Survey – of stakeholders</i>)	63%

- 4.23 The Skills for Business 2003 Survey of Stakeholders asked partners about their satisfaction with the labour market intelligence (LMI) produced by the SSDA. Over one-half (53%) were able to comment based on LMI that had been reviewed or seen. Of these, 72% rated their satisfaction as 6-10 (on a range of 1-10) with the LMI produced. There was particular satisfaction amongst partners from Government Departments or national skills organisations (96% gave a score of 6-10 – from a small sample of 28 people). Those with a greater understanding of the Network also showed greater satisfaction (80% of those with a very detailed understanding gave scores of 6-10, and 73% of those with a fairly detailed understanding). Of those who gave a score, 63% of partners’ ratings indicated that the SSCs had been successful (score 6-10 from the available range of 1-10) in producing high quality LMI (note that of the respondents to the stakeholder survey 18% did not know).

LMI quality

- 4.24 The ability of SSCs to identify, articulate and address the labour market issues in their sectors depends to a large extent on the quality of their LMI both in an objective sense and as perceived by those who want to make use of it. That nearly 75% of partners and stakeholders who had seen the SSDA LMI gave a satisfaction score of 6-10 and that nearly 80% gave a score of 6-10 on the success of SSCs in producing quality LMI must be regarded as a real achievement at this stage in the development of the Network.
- 4.25 The evaluation case study report indicated that some SSCs had indeed produced very high quality information. The positive aspects of the LMI work of the SSCs as identified in the report were that they:
- Drew on a wide range of sources for their LMI including government sources, skills foresight reports, primary research and secondary data sources that are available;
 - Through use of the standard template (for the Market Assessment), they are covering the main topic areas required to develop a real understanding of the issues and prospects;
 - Sought to develop a more sophisticated understanding of the limitations of the data, how well it serves the needs of their sector and where improvements are necessary;
 - Used surveys at a scale (sample size) that enables robust statistical analysis and statements; and/or
 - Developed (or have in place) clear plans for further research and analysis to support SSC development.
- 4.26 To some extent the difficulties that have been encountered in developing robust and sophisticated LMI lie outside the direct control of the SSDA and the SSCs in that they are attributable to:
- Gaps in basic information sources especially by sub-sector, detail on occupations and regional distributions;
 - Trend and forecasting information at an inadequate level of detail to support planning;
 - A lack of adequate supply side information, other than qualifications and employers general views on provision;
 - Conceptual and practical problems in building an understanding of the relationship between skills development and productivity and other measures of organisational and sectoral performance.

- 4.27 These are issues where the Network as a whole can exercise strong indirect influence to improve data quality and its analysis through the SSDA and the SSCs working together to make the case for the improvements and perhaps to commission some of the necessary work. The Network wide group which has been established to work on LMI is likely to make a difference in this area. Perceptions of its work are already generally favourable and its continued efforts should help drive up the quality and consistency of LMI across the Network. There has also been encouraging engagement around these issues with partners in Northern Ireland, Scotland and Wales.

Issues arising from the LMI and market assessments

- 4.28 SSC work programmes have generally been formed on the basis of issues relating to the following, as highlighted in the evaluation case study report and briefly alluded to in the previous chapter:

- *Structural changes:* Competition from new overseas entrants as a result of increasing globalisation with subsequent pressures for rationalisation and consolidation in some sectors; and also problems associated with an ageing workforce;
- *Sectoral changes:* The on-going challenge to keep abreast of technological developments, difficulties of engaging employers where there is increasing fragmentation in the sector; and employment outsourcing raises challenges for availability of skills and employer control over aspects of the business;
- *Recruitment and retention difficulties:* Lack of entrants to the sector due to image problems mirrored and reinforced by retention difficulties particularly where working conditions are difficult; several sectors have a workforce that is unrepresentative of the population and has difficulty in drawing on the full workforce catchment;
- *Skills deficiencies:* Lack of generic skills amongst entrants, in some sectors a lack of basic skills, and in several sectors a need for higher level skills and management skills;
- *Relevance and availability of qualifications:* Inadequate qualification infrastructure in terms of the availability and relevance of training and, in some cases, a confusing proliferation of courses and a reported lack of qualifications linked to industry requirements;
- *Legislative issues:* Compliance with legislative changes is a key challenge for employers as they affect training needs, working conditions and methods and can require additional resources to address them; and

- *Investment in training:* Lack of capacity to invest in training (or any more than the absolute minimum required), particularly amongst SMEs, and a lack of recognition of training as a long-term issue.

4.29 These issues appear to vary across different SSCs. It does not however appear that there are particular, distinct clusters of SSCs facing similar issues, rather there is a patchwork effect across the Network.

Strategic fit

4.30 The evaluation case study report concluded that SSC objectives and activities are broadly in line with the strategic objectives of the Network as a whole. Within that, however, the four strategic objectives are pursued with a different emphasis in each SSC and some SSCs have identified other objectives, specific to their sector, but not inconsistent with the overall fit with Network aims and priorities.

4.31 However, there is also some inconsistency across the Network in the sense that some of the four strategic objectives are being pursued more vigorously than others. The main emphasis is on improving the supply side and tackling skill gaps. Skill shortages are also a prominent issue but to a lower degree. Productivity and raising opportunities for all are much less consistently covered as was noted in the last chapter. With regard to the strategic objective relating to productivity, there is uncertainty about the ways in which it can be measured and how and to what extent improvements in skills can bring about increased productivity. This is clearly an issue for the SSDA and the SSCs to give further attention to in the future.

Engagement of the Network with employers and stakeholders

Awareness

Awareness of employers

Skills for Business Network: Performance Monitoring Scorecard – Operational Objectives			
Objective: Raising employer awareness of the Skills for Business Network, SSDA and the SSCs			
Awareness of employers		Actual	DfES milestone (2003-04)
% of employers aware of the Network	<i>(Skills for Business 2003 Employer Survey)</i>	19%	25%
% of employers aware of the SSDA		7%	10%
% of employers aware of SSCs generally		12%	25%
% of employers aware of their own SSC		30%	n/a
* It should be noted that the milestones are to be reviewed in the light of the evidence from the Skills for Business 2003 Employer Survey. This will provide the opportunity to review the appropriateness of the indicators drawn from the survey work.			

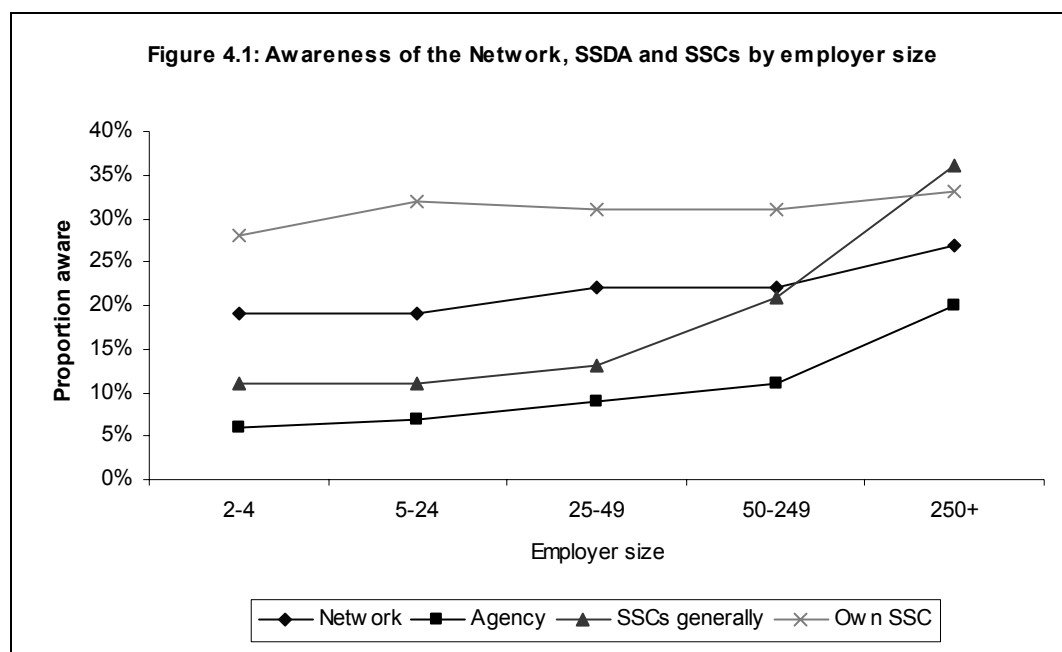
4.32 As shown in the above box, the SfBN is slightly below the milestones set by DfES in terms of achieved employer awareness (according to the evidence of the evaluation employers’

survey). Only 2% were aware (unprompted) that organisations called SSCs exist to give skills or training-related support and just 1% stated they would approach an SSC for such support. The survey also prompted respondents for awareness. When this is taken into account, just under one-fifth (19%) of employers surveyed were aware of the Network (prompted plus unprompted awareness) against a DfES milestone of 25%; 7% were aware of the SSDA against a DfES milestone of 10%; and 12% were aware of SSCs generally against a milestone of 25%. As might be expected, awareness amongst employers of their own SSC was higher – at 30%.

- 4.33 On any measure, the Network is still in its infancy and the awareness figures could be expected to be low. Nevertheless, they are only within 3% of those reported in the Skills for Business 1000 survey conducted 12 months earlier and, on the face of it, this suggests little progress. However, the two surveys were at very different scales and there would need to have been a very substantial shift in awareness before it could be regarded as statistically significant. Moreover, the further cautionary note should be added that the nature of SSCs' work (e.g. often through intermediaries) means that some employers might not have recognised interventions from which they benefited as emanating from the Network or even from their own SSC. This clearly could result in misleadingly low awareness figures. These considerations will need to be taken into account when the targets and milestones are reviewed in the light of the Skills for Business 2003 Employer Survey.
- 4.34 Whilst 43% of employers were aware of one or other component of the Network and 30% were aware of their own SSC as an organisation, only 3% were aware of the SSC *and* the SSDA *and* the Network. At this stage in the development of the Network, this may not be of particular concern. However, as SSCs themselves declared during the course of the evaluation case studies, importance was attached to the idea of the SfBN being a genuine network rather than just a collection of SSCs – it was seen as one of the hallmarks of the SfBN that distinguished it from the previous NTO regime. The credibility of the Network as a whole and its influencing role across SSCs at strategic levels, therefore, depended to some degree on employers being aware of this distinctive aspect of the SfBN.
- 4.35 Awareness (prompted plus unprompted) of an employer's own SSC was higher amongst those whose SSC is licensed (awareness of 46%) although this result is dominated by high awareness of one particular SSC which has a long established brand. Differences in awareness are greater between individual SSCs than they are between categories of SSCs based on their stage of development. This means that awareness is not necessarily any higher for those SSCs that are licensed and fully operational – perhaps reflecting the differing ways in which the NTO legacy is incorporated in the design of the SSC with some keeping the old name and others moving away from it. This is an issue that will need to be kept under review through monitoring and other evaluative research in order to identify the factors, other than the legacy effect, that are influencing awareness of employers of the SSCs, the SSDA and the

Network as a whole (especially the influence that comes from the Network providing employers with satisfactory services and support).

- 4.36 The awareness of the Network was higher amongst the larger employers whilst awareness of an employer's own SSC was more or less identical for micro enterprises and small businesses as it was for medium and large businesses (Figure 4.1).



Source: Skills for Business 2003 Employer Survey

Awareness of stakeholders

- 4.37 Awareness amongst stakeholders was higher than reported above amongst employers. This is not surprising – the selection of the stakeholder sample was geared to identify those who would be expected to have some familiarity with the Network. The Skills for Business 2003 Stakeholder Survey identified spontaneous awareness of SSCs between 11% and 44%. For six SSCs spontaneous awareness amongst stakeholders was in excess of 30% of respondents.

The Network brand

- 4.38 The case study report noted that the Network is not yet a meaningful brand and so awareness amongst employers and stakeholders is likely to be low. This is reflected in the survey results above and in the discrepancies between awareness of an employer's own SSCs and of the Network and its other constituent parts. The report also suggested that the capacity for enhancing the awareness of the Network lies within the awareness that exists amongst employers of their own SSCs. In other words, SSCs need to promote the Network at the same time as they market themselves. This would be easier if the Network worked under a strong brand underpinned by a clearly stated set of common values and objectives and similar

standards of quality. The rigour with which the licensing process has been undertaken should help to develop these conditions.

Understanding

Understanding of employers

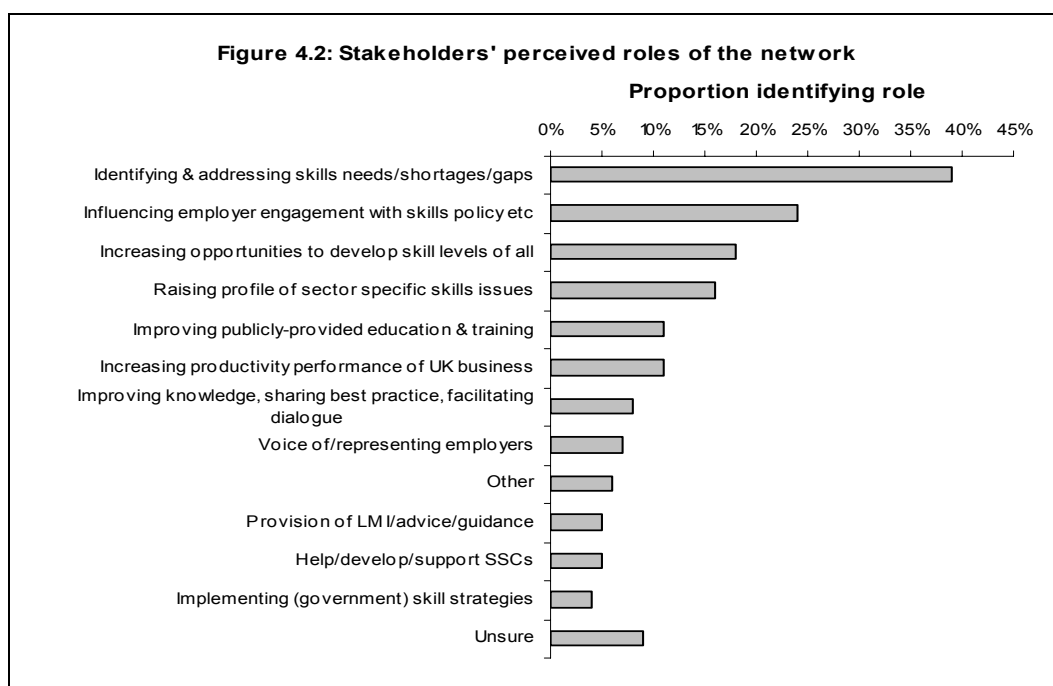
Skills for Business Network: Performance Monitoring Scorecard – Operational objectives			
Objective: Raising employer awareness of the Skills for Business Network, SSDA and SSCs			
<u>Understanding of employers</u>		<u>Actual</u>	<u>DfES milestone (2003-04)*</u>
% of employers with awareness of the Network who have a very or fairly detailed understanding of the Network	(Skills for Business 2003 Employer Survey)	9%	10%
% of employers with awareness of the agency who have a very or fairly detailed understanding of the agency		9%	5%
% of employers with awareness of SSCs generally who have a very or fairly detailed understanding of SSCs generally		10%	10%
% of employers with awareness of their own SSC who have a very or fairly detailed understanding of their own SSC		22%	n/a
In addition, some employers said that they had a patchy understanding:			
% of employers with awareness of the Network who have a patchy understanding of the Network, 29%			
% of employers with awareness of the SSDA who have a patchy understanding of the SSDA, 28%			
% of employers with awareness of the SSCs generally who have a patchy understanding of the SSCs generally, 26%			
% of employers with awareness of their own SSC who have a patchy understanding of their own SSC, 25%			
* It should be noted that the milestones are to be reviewed in the light of the evidence from the Skills for Business 2003 Employer Survey. This will provide the opportunity to review the appropriateness of the milestones set and the measures used.			

- 4.39 Of those employers who were aware of the Network, 9% had a very or fairly detailed understanding of its aims and objectives (equating to 2% of all employers having a very or fairly detailed understanding of the Network). The DfES milestone for this is 10%. The proportion of employers with awareness of the SSDA that have a good understanding of its role and objectives was about the same at 9%. However, as fewer employers are aware of the SSDA, this translates into less than 1% of all employers. Similarly, the figures for understanding of SSCs generally were 10% (of those with awareness) and 1% (of all employers). As with awareness figures, the proportion of employers with a good understanding of their own SSC (given that they are aware) was higher at 22%.
- 4.40 So, if there is a desire for the Network to be branded effectively, SSCs need to convey the message to a greater extent and more effectively that SSCs operate within a network of equals with common objectives and providing an integrated offer to employers. At the moment this is not apparent - as illustrated by the greater understanding of an employer's own SSCs.

- 4.41 There were differences in understanding across employers of their own SSC's role and objectives according to their stage of development. Over one-third (37%) of those with awareness had a very/fairly detailed understanding of their own SSC's objectives where their own SSC was licensed. This compares with 14% for employers covered by a Trailblazer SSC and 17% for those covered by an SSC in development. There were substantial differences between SSCs within these groups. In general, better established organisations were more widely recognised although there were some significant exceptions to this.
- 4.42 There were not as clear-cut differences in understanding depending on employer size as was the case for awareness. Understanding of SSCs generally for size bands up to 249 employees (2-4 employees, 5-24, 25-49 and 50-249) was either 9% or 12%. For employers who had 250 or more employees there was greater understanding of SSCs with 19% of those with awareness of SSCs generally having a very/fairly good understanding. It should be noted that the measurement of awareness of *SSCs generally* only includes respondents that mentioned the term SSC spontaneously rather than those that were aware, when prompted, of their own SSC. The issue is thus again raised of the importance of awareness amongst employers of there being a network of SSCs. This will matter if the Network is to become more than the sum of its parts in order to play a major role in the skills development and productivity enhancement of the UK and its constituent nations.

Understanding of stakeholders

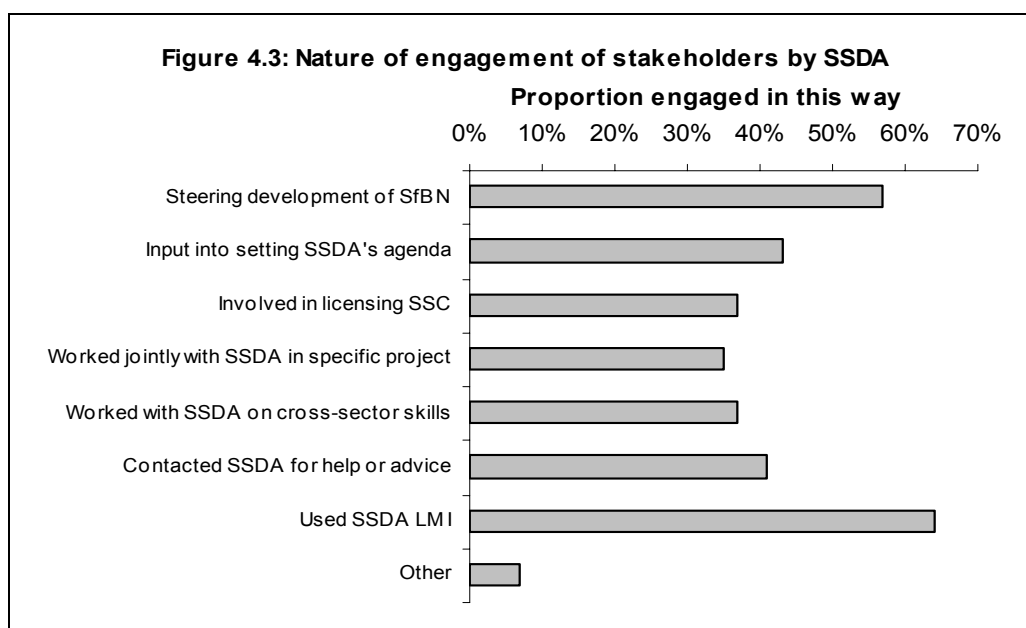
- 4.43 Stakeholders had a greater understanding of the Network than employers with 54% saying that they had a fairly or very detailed understanding of its main roles. Very or fairly detailed understanding was higher in relation to the SSDA (66%) and higher still for SSCs (78%).
- 4.44 There are, however, some differences in the perceived roles of the Network by stakeholders. The most commonly identified role was "*identifying and addressing skills needs, skills shortages and skills gaps*" (recognised by 39%). However, other roles were noted much less often, illustrating that there is a lack of understanding of some of the Network's role and objectives. For example "*increasing opportunities to develop the skills of everyone*" was recognised by 18% of respondents, "*increasing the performance and productivity of UK businesses*" by only 11%, and being the "*voice of/representing employers*" by just 7%. Figure 4.2 shows the perceived roles of the Network. This implies a shallow level of understanding about the full nature of the Network amongst policy stakeholders.



Source: Skills for Business 2003 Stakeholder Survey

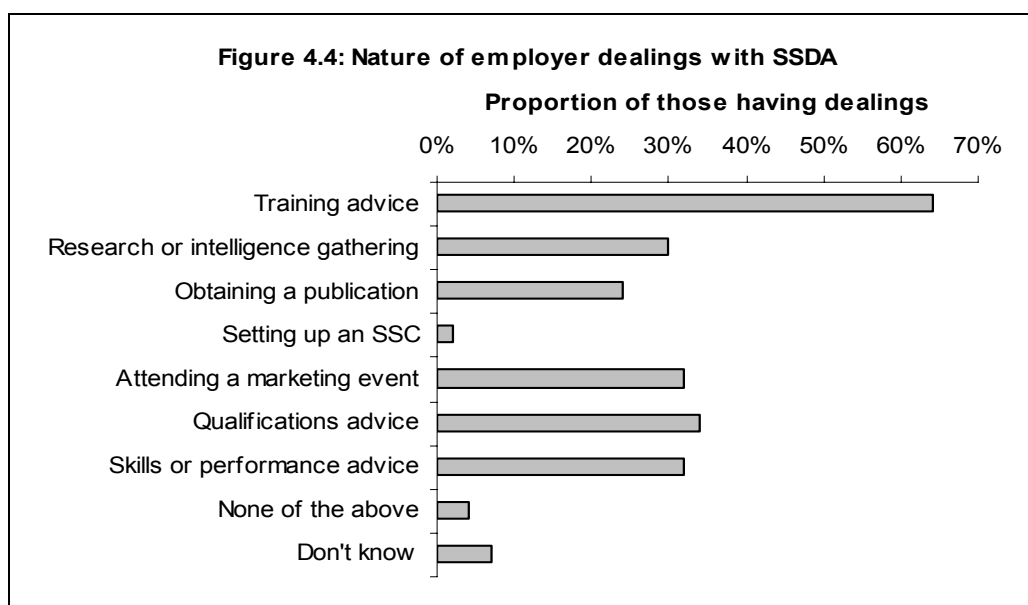
SSDA engagement

4.45 About one-half of stakeholders (excluding SSDA and SSC contacts who would have had contact with the SSDA as a matter of course – i.e. some 50% of the stakeholders surveyed) had frequent or regular contact with the SSDA with the remainder having had one-off or occasional contact. The most common engagement was in the *use of labour market intelligence* (64%) followed by *steering the development of the SfBN* (57%) - see Figure 4.3.



Source: Skills for Business 2003 Stakeholder Survey

- 4.46 Only a very small proportion of employers that were aware of the SSDA (6%) have had dealings with it. Where dealings occurred, they were often for training advice (64% of employers). Other common reasons were advice about qualifications (34%), attending a marketing event (32%) and skills or business performance advice (32%) - see Figure 4.4 (note that the sample base for Figure 4.4 is small at just 89 employers). Satisfaction with these dealings was good with an average score of 7.41 (from an available score of 1-10) and 76% of employers who have had dealings reported a score of 6-10 – reinforcing the impression of high quality dealings with the SSDA.



Source: Skills for Business 2003 Employer Survey

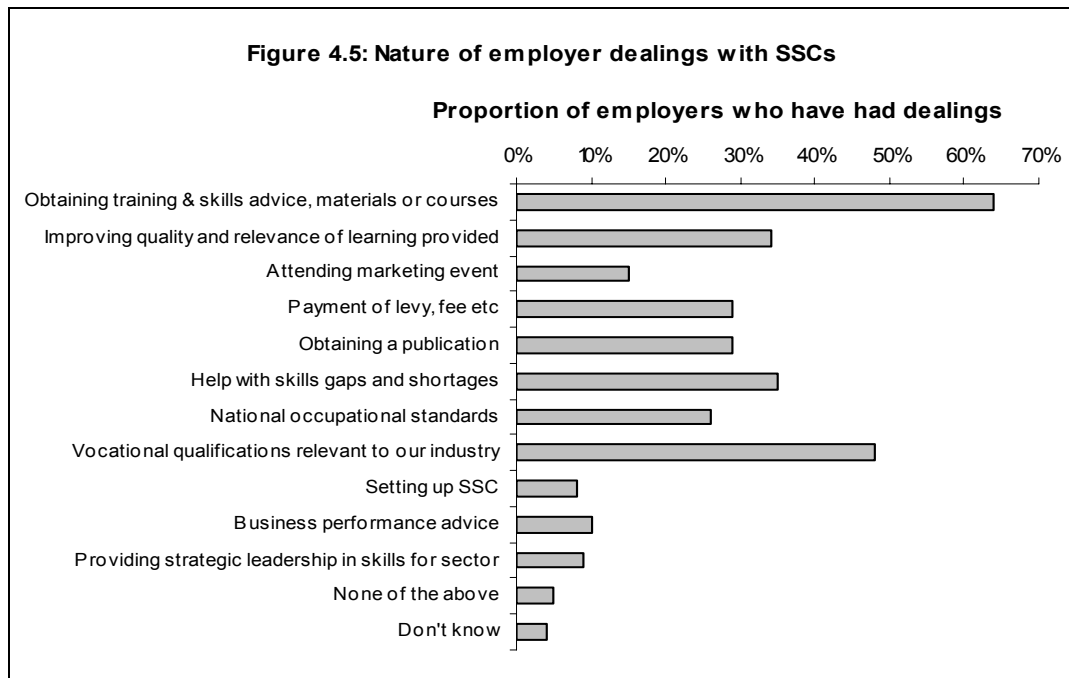
SSC engagement

Skills for Business Network: Performance Monitoring Scorecard - Operational Objectives				
Objective: Engaging employers with the Skills for Business Network objectives				
<u>Dealings with SSCs</u>		<u>Actual</u>	<u>DfES milestone (2003-04)</u>	<u>Range for SSCs</u>
% of employers with awareness of their own SSC who have had dealings with SSCs	(Skills for Business 2003 Employer Survey)	20%	10%	1%-45%

- 4.47 Of all employers who were aware of their own SSC, 20% have had dealings with them (note that there is a substantial range amongst SSCs from 1% to 45%). This is twice the DfES milestone. This high figure may reflect the relatively low numbers overall who had engaged with employers, only 6% of all employers having had dealings with their SSC. This suggests

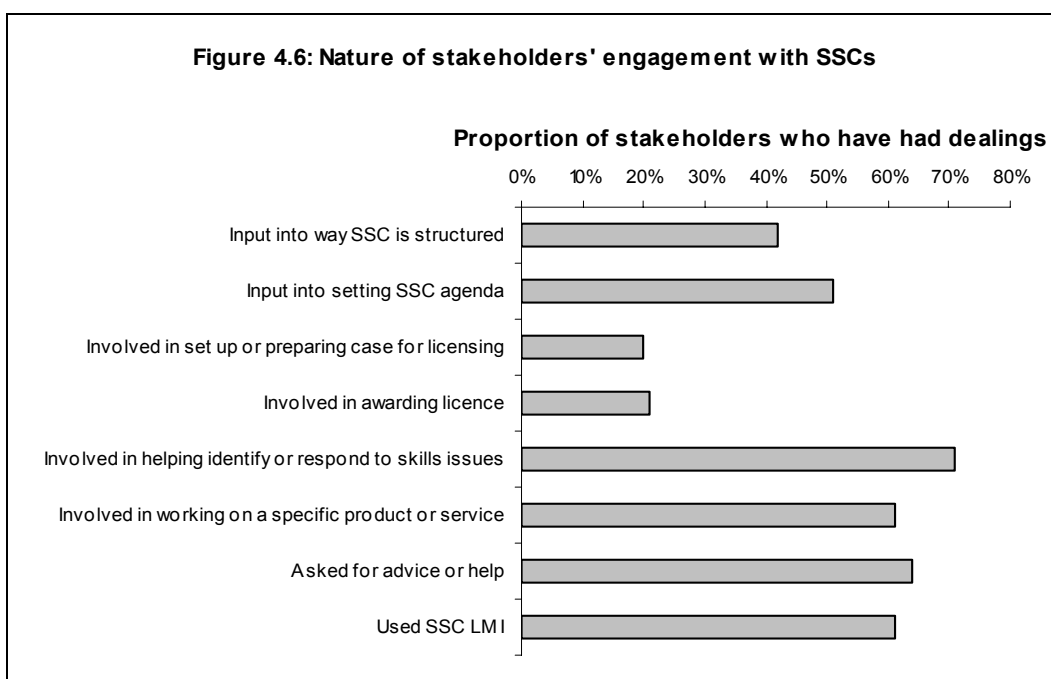
that the focus for on-going work needs to be to improve the extent of awareness because, on the evidence, this seems to have led successfully to employer engagement and dealings.

- 4.48 Employers who had been in contact with their SSC were more likely to reveal recruitment difficulties. Almost half (49%) of employers agreed that the education system was failing to deliver the skills they require and, again, this was more pronounced amongst the smallest employers and, more generally, amongst those who had contact with their SSC. This could suggest that employers were more likely to seek help from their SSC if they were alert to opportunities constrained by skill development issues and/or if the latter were particularly problematic, or it may be that employers are more likely to recognise skill deficiencies once they have engaged with an SSC and are more challenging, perhaps, of their workforce skills. The fact of the matter is that we do not know what is motivating employers to engage with their SSCs and this needs to be kept under observation through monitoring.
- 4.49 As with dealings with the SSDA, the most common reported reason for contact was to obtain training and skills advice and/or to get hold of training materials or information on training courses (64% of actual dealings – i.e. 64% of all dealings with SSCs rather than establishments in the survey, as some establishments may have had dealings with more than one SSC). Other more common areas of engagement were around increased understanding of vocational qualifications relevant to employers' sectoral interests (48%), help with skills gaps and shortages (35%) and improving the quality and relevance of learning provided by the employer (34%) - see Figure 4.5.
- 4.50 The above reinforces the view that SSCs are primarily seen to be about skills and training advice rather than perceived as a more strategic tool for improved competitiveness (e.g. there was a low proportion of employers whose SSC dealings related to improving business performance). In addition, dealings with SSCs were low in the strategic sense (e.g. only 9% of dealings were concerned with the SSC as providing strategic leadership for the sector) – yet, being strategic is a critical feature of the Network. Overall, the average satisfaction score recorded by employers from their SSC dealings was 6.4 with 65% of employers' ratings of overall satisfaction at 6-10 (on a possible range of scores from 1-10).
- 4.51 It appears that those who were more engaged with the Network were more positive about what it could and had offered. This is promising for the future as long as this engagement is more about strategic sectoral issues than it is about delivery of advisory services about training opportunities or about delivery of training services in their own right.



Source: Skills for Business 2003 Employer Survey

- 4.52 The case study report indicated the importance to the SSCs' credibility of having high level people and high profile companies involved. This is reflected in the recorded higher rate of SSC dealings amongst employers with more than 250 employees - although this may also reflect the better resourcing in these companies to scan the environment. For other size-bands, there was no great difference in the proportion of dealings given awareness levels.
- 4.53 The extent of engagement with SSCs amongst stakeholders was higher with 51% citing frequent contact and a further 27% regular contact. The most common engagement was in helping to identify or respond to skills issues (71%) followed by advice and support provision (64%) - see Figure 4.6.



Source: Skills for Business 2003 Stakeholder Survey

- 4.54 The report on the case studies also revealed some uncertainty amongst the SSCs about the stakeholders with whom they should be engaging. For example, there was lack of clarity in the English situation as to whether the key partner should be regarded as the LLSCs or the RDAs with SSCs holding different views on this. On the one hand, RDAs are responsible for economic development and prosperity (including skills) and, on the other, LLSCs are responsible for delivering skills. SSCs, and the SfBN more widely, are responsible for understanding employer needs and emphasising the importance of skills in achieving better business performance. So, the relationship between SSCs, RDAs and LLSCs will be important and engaging at the English regional level will, no doubt, be vital for SSC success particularly in view of funding and policy shifts.
- 4.55 An issue that has emerged already is that regional economic strategies focus on a small number of priority sectors. Therefore, SSCs outwith these sectors may have a low priority with RDAs. This may also be an issue with respect to the LLSCs who are also developing a view about key priority sectors. This suggests that the SSCs should be engaging with the RDAs and the LLSCs about priority sectors at regional and sub-regional levels and bringing to bear on this dialogue the credibility and clout that can come from mastery of labour market intelligence, understanding of the link between skill enhancement and performance and a close appreciation of employers' needs and aspirations.
- 4.56 Engagement with RDAs often occurred with the more established SSCs, particularly where the SSC continued its work from NTO days. One RDA interviewed had engaged with the SfBN and considered that other RDAs would do so. However, like employers, they may only

be keen to do so when there is, more or less, a full complement of licensed SSCs, a fully functioning Network and/or when the SfBN has been shown to deliver – a familiar Catch 22.

- 4.57 Engagement with the LSC and local offices currently been driven by particular projects and initiatives. These have demonstrated that such links can be effective. However, engagement of a more strategic kind has yet to come. This is vital if the SSCs are going to influence the delivery of skills in a strategic way at the regional and local level through, for example, Sector Skill Agreements.

Assessment of Network progress

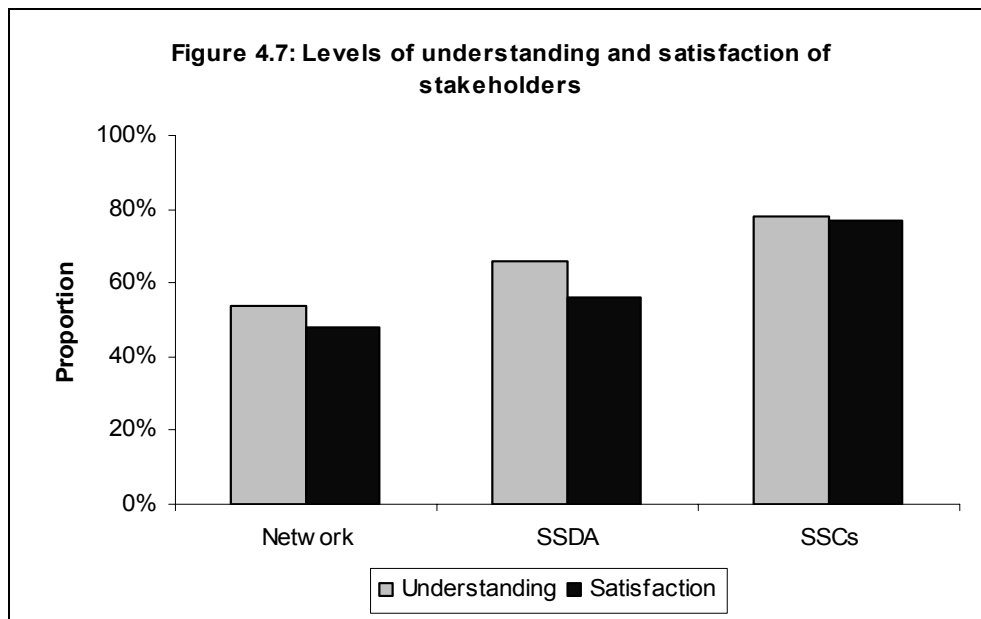
Satisfaction and progress

Skills for Business Network: Performance Monitoring Scorecard - Operational Objectives		
Objective: Policy Influence		
Positive influence		Actual
% of stakeholders who think that SSDA is having a major or significant positive impact on Government policy		22% ¹
% of partners' ratings stating that SSCs are having a major or significant positive impact on Government policy	(Skills for Business 2003 Stakeholder Survey)	31% ²
% of partners' ratings of SSC success in influencing decisions about skills by the Government and FE funders to be in the range of 6-10 (from an available range of 1-10)		65%
¹ Note that 61% recorded the view that the SSDA has had a minor impact		
² Note that 61% of ratings state that the SSCs have had a minor impact		

- 4.58 The scorecard indicators focus on the proportion of stakeholders/partners and their ratings that have assessed the impact of the SSDA and the SSCs on Government policy to have been major or significant. 22% report that the SSDA is having a major or significant positive impact on Government policy and a further 61% of partners consider the SSDA to have had a minor impact (in all, 83% considered there to have been an impact on policy from the SSDA). For SSCs, 31% of partners' ratings indicate that the SSCs are having a major or significant positive impact and 61% of partners' ratings indicated that the SSCs were having a minor impact (in all 92% of partners' ratings indicated that the SSCs were having some form of positive impact on Government policy). This is clearly a major achievement for a relatively infant network and we suspect can be attributed to the improvements that have been made in the provision of labour market intelligence and some of the initiatives that have been made in cross SSC and SSDA networking and joint ventures.

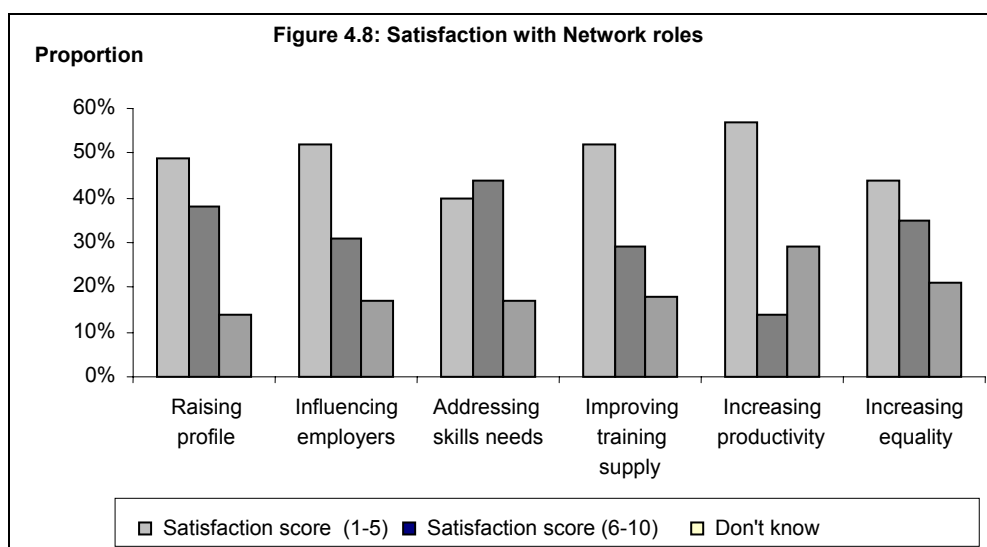
SfBN

Stakeholder satisfaction



Source: Skills for Business 2003 Stakeholder Survey

- 4.59 Amongst stakeholders, the overall satisfaction with the activities of the Network was modest with under half (48%) scoring overall satisfaction at 6-10 (from available scores of 1-10) and a high proportion saying “don’t know” (18%) leaving one third scoring satisfaction with the Network at 1-5. This pattern existed in satisfaction rates for specific policy areas where lower satisfaction scores (1-5) were more often recorded than higher scores (6-10) (Figure 4.8).

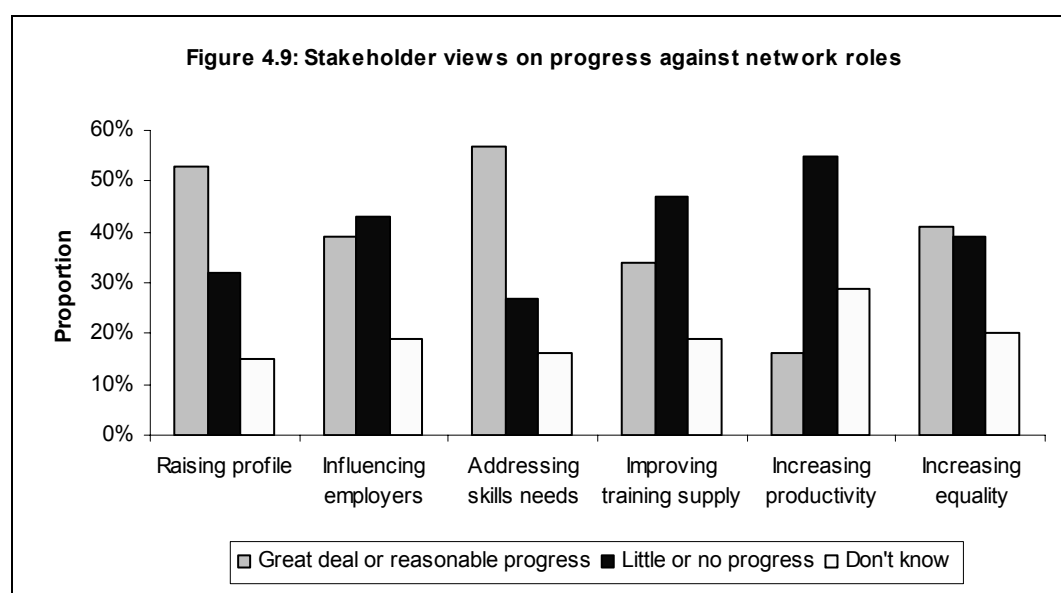


Source: Skills for Business 2003 Stakeholder Survey

- 4.60 Satisfaction scores tended to be higher for those stakeholders with most understanding of the roles and objectives of the Network. The high proportion of respondents citing “don’t know” suggests that there is a lack of clarity about what the Network actually is and what it is supposed to do - almost certainly a function of the infancy of the Network.
- 4.61 By stakeholder group, those working in Government departments/ national bodies were the most satisfied with the activities of the Network closely followed by training providers, SSC Chief Executives and the educationalists. Trade organisations gave the lowest average satisfaction scores which may, at least in part, be a reflection of their lower levels of understanding of the Network’s roles shown earlier. It may also reflect a perception of the SSCs and consequently the Network as a whole as ‘competition’.

Progress of the Network

- 4.62 The reported satisfaction rates may reflect an assessment by stakeholders against their expectations of what the Network will achieve once it is fully operational because their assessment of progress by the Network tends to be much more bullish (see Figure 4.9). Most progress was perceived to have been made in raising profile (53% of stakeholders said that a reasonable or a great deal of progress was being made here) and in addressing skills needs (57%). In other areas, such as increasing productivity (16%) and improving training supply (34%), the extent of perceived progress was lower although this probably reflects the longer term nature of these ambitions and the infancy of the Network.



Source: Skills for Business 2003 Stakeholder Survey

- 4.63 Two-thirds of stakeholders (66%) agreed strongly or tended to agree that the SfBN was employer-led and, encouragingly, 70% thought the SfBN had brought a fresh perspective to the policy area. In comparison with the previous NTO regime, 62% of all stakeholders thought that the new policy was an improvement while just 7% claimed it represented a

deterioration. However, while this is encouraging, just under one-fifth (19%) of stakeholders considered that the SfBN had progressed better than expected but 29% claiming that it had been worse. This suggests a general view that progress is in the right direction but needs to proceed at a faster pace.

- 4.64 Stakeholders within Government departments and national skills organisations were the most positive with more expectations exceeded than disappointed. SSC Chief Executives were the least positive with 44% thinking that progress was worse than expected. This is likely to be a reflection of the number of outstanding licences and concern about the licensing process.
- 4.65 Stakeholders who were consulted face-to-face and considered that progress had been worse than expected, were asked where they anticipated the Network should have been by now and what they considered had hampered progress. Responses mainly focused around the perceived slowness of the licensing process, problems in making the transition from the old NTO network and resource constraints.

Coherence of the Network

Sector Skills Development Agency: Performance Monitoring Scorecard - SSDA Support Objectives		
Objective: SSDA as Network ambassador and champion		
Coherent Network		Actual
% of partners who agree strongly or tend to agree with view that a coherent Network is being developed	(Skills for Business 2003 Stakeholder Survey)	61%

- 4.66 The Network building blocks of SSCs were generally well-received with 76% of stakeholders agreeing that the groupings of sectors under SSCs were logical. However, a somewhat lower percentage (61%) agreed that the SSDA and SSCs together formed a coherent Network. Actually, for nearly two-thirds to claim this is a strong result given the state of development of the Network.
- 4.67 One criticism made by a few stakeholders was that the sector-focus successfully achieved by the SSDA was heavily focused on issues important in England to the relative neglect of those important in the devolved administrations. There was also a sense from some stakeholders in the latter that SSCs still appeared to be like NTOs: chasing money rather than strategic influence. That said, positive examples were provided by both stakeholders and SSCs, especially where SSCs had taken time to build relationships in these countries.

Network strengths

- 4.68 The evidence cited earlier in this report suggested that much was being made of the existence of the Network, for instance the perception that it is a network of equals with SSCs working together to influence policy and cross-sector issues. If these expectations are to be met

effectively, the promotion of the Network as a concept is important. Alongside this, it is imperative that links are developed within the Network between SSCs and the SSDA and between SSCs.

- 4.69 Between SSCs, there is the potential for both competition and collaboration. The case study report highlighted some examples of the Network adding value through collaboration. One example was the recognition of the portability and multi-utility of the skills that certain SSCs are trying to promote. This was particularly the case for SSCs with a manufacturing focus. It is suggested that the Network can add value to raising the profile and attractiveness of careers in some sectors.
- 4.70 Some of the cross-sectoral issues, however, which have been identified through the case studies and which provide an opportunity for promoting SSCs could be seen as, and could become competitive, between SSCs. For example, SSCs might be seen and, indeed, could behave as competitors in their endeavours to attract people into their sectors. On the other hand, if the SSCs acted as a network, there could be collaborative focus on what factors increase and reduce high workforce turnover, what could be done jointly to better utilise existing recruitment pools and what actions are most effective in retaining the workforce. Similarly, SSCs could act competitively to seek to attract training providers to operate and spend money in their sectors rather than others. Again though, there are alternative collaborative models in which SSCs work together to establish joint training requirements such that providers gain scale economies from operating across sectors and sub-sectors. It is in resolving these kind of tensions in collaborative rather than competitive ways that the Network can exercise a particularly profound influence and which gives significance to the importance of the SfBN acting as a genuine network of SSCs.
- 4.71 In other areas, the possibility of competition is less prominent, for example sharing information on working with higher education institutes (an example of which was given in the case studies) and helping to influence the national agenda in some of the generic skills areas such as basic skills, communication, team-working and ICT. In these instances the power and value of the Network will be more likely to deliver the objectives of the Skills for Business policy.
- 4.72 The development of the Network has involved SSDA, in particular, adopting distinct roles at different points in time (and increasingly at the same time). A question for the Network since its inception has been the degree to which SSDA has been able to marry its regulatory and its support roles.
- 4.73 It is clear from the perspective of the SSCs (at all stages in the process) that the regulatory role has been the face predominantly seen. The logistics of getting SSCs through the development phase has in part necessitated this, although it would be expected to decline in the next period. There has, however, been progress in terms of setting up the infrastructure

for the facilitation role. This includes the introduction of new business consultants to support individual SSCs, Regional Partnership Managers within the SSDA, as well as the well-established policy/LMI/CEO Networks.

Comparison with the NTOs

- 4.74 Elsewhere in this report, reference has been made to the more strategic and network role of the SSCs within the SfBN as contrasted with the NTOs that were launched in May 1998. A 1999 Survey of Employers' Awareness of NTOs⁷ reported a greater unprompted awareness of NTOs at 7.5% compared with the 2% for SSCs in the employer survey for this evaluation. Prompted plus unprompted awareness of NTOs, their predecessor Industry Training Organisation, Lead Body or Occupational Standards Council was 38%. Awareness of own SSCs is slightly lower at 30%, although the questioning is not directly comparable.
- 4.75 Understanding of NTOs was higher, with 12% of all employers being able to articulate what they thought or understood to be the role of NTOs without being prompted. Understanding of SSCs generally was 2% of all employers and 5% for their own SSC. Twelve percent of employers who were aware of the NTOs had made contact with them in the previous year – that is, approximately 5% of all employers. Similarly, 5% of all employers had had dealings with SSCs according to this evaluation's employer survey. This is encouraging given that many of the SSCs were going through the process of development before and at the time of the survey, albeit that they were in many cases already seeking to act as SSCs at this stage. Indeed, where direct comparisons with previous sector bodies were asked of stakeholders and employers, they perceived the SSCs to be an improvement over the NTOs (60% of stakeholders believed SSCs to be an improvement and only 2% a deterioration; 38% of employers believed SSCs to be an improvement and only 4% a deterioration).
- 4.76 A key point made in the report on NTOs was that it was not sufficient to promote the awareness of the name or brand of NTOs. The report argued that NTOs also had to promote an understanding of what their roles were and what they could do for business. Similarly, an understanding of SSCs and the wider SfBN has to be developed amongst employers otherwise the Network will find it difficult to claim to be the '*employer voice*'.
- 4.77 These findings are interesting given the intention that SfBN is to add value to the NTO regime that preceded it. There are some important points regarding the differences and similarities between the two policies. The NTO network was supposed to be strategic although it was not regarded to be effective enough in this. Further, if the previous regime was too often about 'chasing money', the new regime was to be more about influencing money (i.e. influencing learning infrastructure through Learning and Skills Councils, Higher

⁷ DfEE: *A Survey of Employers' Awareness of NTOs*, August 2000

Education bodies, Education and Learning Wales, Scottish Executive and Department for Education and Skills, and influencing policy relating to their sectors).

- 4.78 Another major difference with the NTO network is the capacity and consolidation of the SfBN – SSCs should have more influence, more resources, a higher profile and greater credibility. *A Study of the NTO Network*⁸ revealed concerns about NTOs' capacity and sustainability for the task in hand. This was more applicable to some NTOs than others as there were a large number of quite small organisations. The design of SfBN, with fewer SSCs, was intended to address this.
- 4.79 However, the case study report did raise an issue about the potential emergence of a two-speed Network. This might come about from SSCs developing from different starting points. On one side are more established SSCs which are characterised as:
- Having well-established legacy organisation(s) or being a successful NTO
 - Possessing funding support from e.g. employers and/or non-SSDA sources
 - Having a 'heavyweight' Chief Executive or Chair.
- 4.80 Whilst, on the other, newer SSCs are characterised as:
- Representing smaller sectors than the more well established SSCs
 - Being the result of a merger or an entirely new organisation
 - Having greater reliance on SSDA funding.
- 4.81 This has implications for the development of the Network, particularly given the message that the Network will only be sustainable and effective as a 'network of equals'. Getting all SSCs up-to-speed is about more than simply getting them licensed. The case study report highlighted the need for each SSC having its own network of partnerships and regional links in place. This will take time and is bound to take longer for 'new' SSCs because they do not have the same capacity and networks as the established ones.
- 4.82 This comparison of the old with the new could be taken to infer that the Network should, at this point in the time-line of development, really have made more progress in raising awareness and understanding amongst employers about the Network purpose, form and methods and achieved higher levels of their engagement. Before reading too much into this comparison, it should be emphasised that the Network is more about strategy and influence than it is about raising funds for the delivery of training. This is a difficult task that has to be accomplished in a more complex and uncertain world and the robustness of the SSC licensing

⁸ GHK Economics and Management: *A Study of the NTO Network*, August 2000

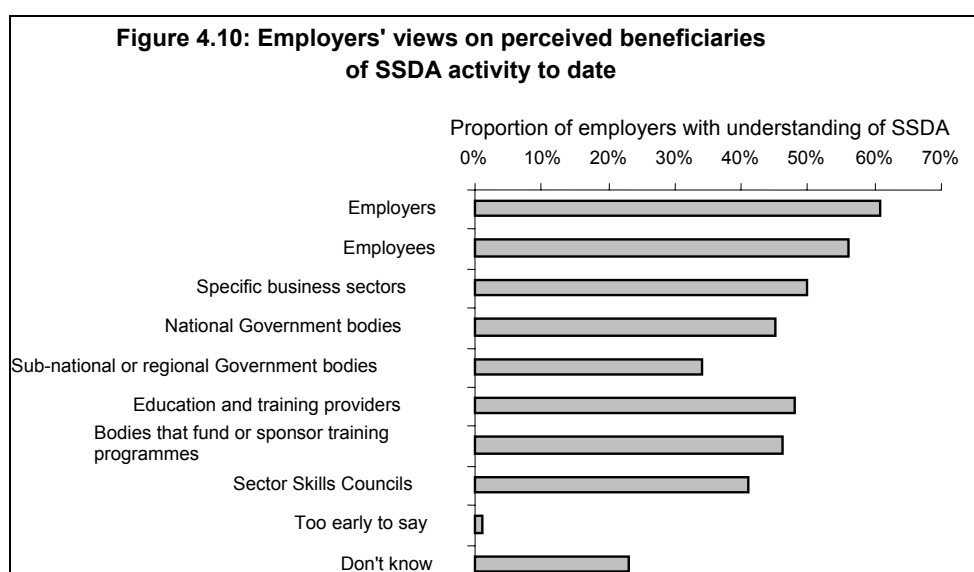
process reflects the need for SSCs to be well-resourced, well-informed and well-networked agencies to fulfil the Network purpose.

- 4.83 Arguably, it would not be appropriate to expect the same levels of awareness to be achieved with respect to the Network, SSCs and the SSDA at the same point in the development schedule as the NTOs. However, this should not distract attention from the imperative for the Network, now it is getting close to its full complement of SSCs, to be more pro-active in promoting its purpose and methods to employers and stakeholders in order to secure their engagement in higher numbers – and sooner rather than later.

SSDA

Employers' views

- 4.84 Those employers with an understanding of the roles and objectives of the SSDA were asked to identify the audiences perceived to benefit from SSDA activities to date. Employers and employees are perceived to benefit by the most respondents (61% and 56% of respondents respectively). In addition, specific business sectors (50%), education and training providers (48%), bodies that fund or sponsor training programmes (46%), national Government bodies (45%) and the SSCs (41%) were all identified by over two-fifths of respondents as potential beneficiaries of Network operations - see Figure 4.10.
- 4.85 There was also a perception of greater benefit to audiences overall by those who had had dealings with the SSDA. This is another bit of evidence that suggests that engagement with SSDA brings benefits and that, therefore, the future priority should be to get more to engage without diluting service quality levels.

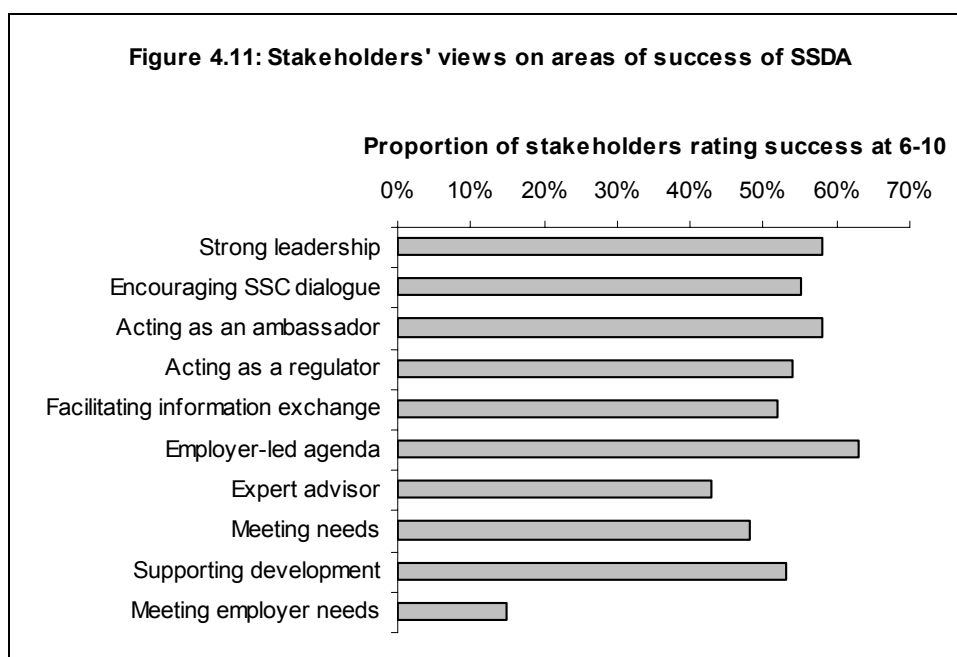


Source: Skills for Business 2003 Employer Survey

Stakeholders' views

Sector Skills Development Agency: Performance Monitoring Scorecard - SSDA Support Objectives			
Objective: Stakeholder satisfaction			
<u>Stakeholder satisfaction</u>		<u>Actual</u>	<u>DfES milestone (2003-04)</u>
% of partners satisfied or better with the SSDA (overall satisfaction at 6-10)	(Skills for Business 2003 Stakeholder Survey)	56%	65%
Sector Skills Development Agency: Performance Monitoring Scorecard – SSDA Support Objectives			
Objective: Partner in Network			
<u>SSDA as a proxy-SSC</u>			<u>Actual</u>
% of stakeholders satisfied with SSDA's coverage of non-SSC sectors	(Skills for Business 2003 Stakeholder Survey)		20% (32% did not know)

- 4.86 Just over one-half (56%) of stakeholders (SSDA and SSC contacts excepted) gave an overall satisfaction score of 6-10 (from an available range of 1-10) with the SSDA and 38% gave scores of 1-5 (with 6% not knowing). This result could be of concern but must be interpreted carefully. It has already been observed that the SSDA has been pursuing two, sometimes conflicting roles – as regulator and supporter/facilitator – and it is likely that a proportion of stakeholders will have experienced the SSDA more in the first capacity than the second.
- 4.87 The individual areas of perceived SSDA success were in ensuring an employer-led agenda (63% scoring 6-10), providing strong leadership and acting as an ambassador (both 58%) - see Figure 4.11. Views on the SSDA as an organisation revealed its relative strengths to be perceived to be in accessibility (70% rating 6-10), partnership (67%) and being driven by results (65%) and its relative weaknesses in innovation (43%) and efficiency (49%). Encouragingly, 83% reported that the SSDA has had a positive impact on government policy with 22% indicating a major impact and 61% a minor impact.



Source: Skills for Business 2003 Stakeholder Survey

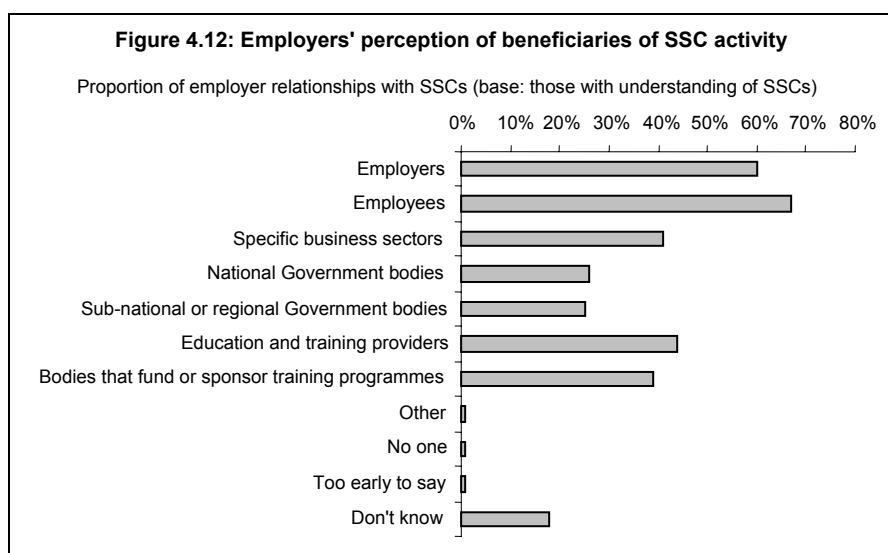
- 4.88 Satisfaction with the SSDA in terms of labour market intelligence was higher. About one-half (53%) of stakeholders (excluding SSDA staff) had seen some aspect of SSDA generated labour market intelligence and of those, 72% gave it satisfaction scores of 6-10.
- 4.89 There was some reported uncertainty about the SSDA's success in relation to its cross sector work although there was confidence that the Cross-Sector Boards constituted the correct approach. Most stakeholders (89%) had some awareness of SSDA's remit in this area and 36% of these had a very or fairly detailed understanding of it. One-third of those with at least patchy understanding of this role recorded satisfaction scores of 6-10 with the SSDA's activities in influencing government policy in this area. Less than one-half (44%) of those with very/fairly detailed understanding perceived that there had been success on the part of the SSDA in gathering information on cross-sector skills and 41% of those with very/fairly detailed understanding believed there has been success in raising awareness.
- 4.90 There was limited awareness and understanding amongst stakeholders regarding the SSDA's role as a proxy-SSC in sectors where no SSC exists. The majority (80%) realised that some sectors are not covered by an SSC but only 54% knew the SSDA had a responsibility for them. Of this 54%, only one-third had a very/fairly detailed understanding. A disappointing one-fifth (20%) of those with at least a patchy understanding of this area of SSDA policy gave satisfaction scores of 6-10 with the SSDA although 32% responded that they "did not know".

SSCs

Employers' views

Skills for Business Network: Performance Monitoring Scorecard – Operational Objectives			
Objective: Stakeholder satisfaction			
<u>Employer satisfaction</u>		<u>Actual</u>	<u>DfES milestone (2003-04)</u>
% of employers ratings giving satisfaction scores of 6-10 from their dealings with the SSCs	(Skills for Business 2003 Employer Survey)	65%	65%
<u>Stakeholder satisfaction</u>			
% of partners' ratings giving satisfaction scores of 6-10 from their dealings with SSCs	(Skills for Business 2003 Stakeholder Survey)	77%	50%

- 4.91 The satisfaction ratings by employers with regard to their dealings with the SSCs suggested that about two thirds of 'relationships' between employers and SSCs resulted in satisfaction on the part of the employer – in line with the DfES milestone. Employers with an understanding of the role and objectives of at least one SSC were asked to identify those that were perceived to be likely to benefit from SSC activities. Employees and employers were perceived to benefit by most respondents (67% and 60% respectively). In addition, education and training providers (44%), specific business sectors (41%) and bodies that fund or sponsor training programmes (40%) were perceived to benefit to relatively large degrees - see Figure 4.12. There were stronger perceptions of benefit amongst those who had actually dealt with their own SSC.



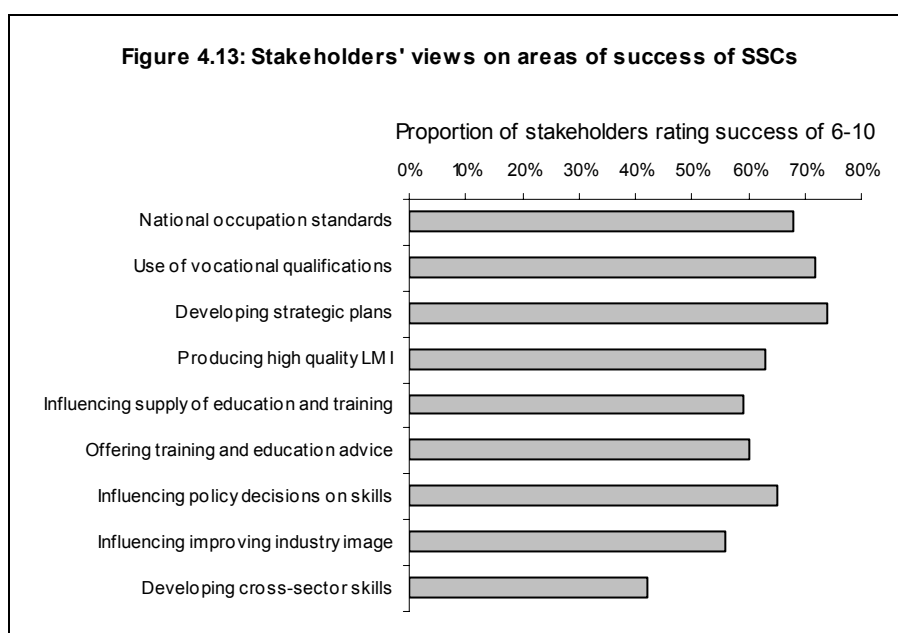
Source: Skills for Business 2003 Employer Survey

- 4.92 Of employers with some understanding of the role and objectives of at least one SSC, 38% said that it was an improvement on the previous sector bodies that existed to address skills

and training related issues (i.e. NTOs), 4% said that it was a deterioration, and 34% did not comment, did not know or said that there had not been enough time to tell. The other 25% said that the SSCs have made no real difference compared with the previous bodies. The large proportion who did not know or could not comment at this stage is a reflection of the infancy of the Network.

Stakeholders' views

- 4.93 Stakeholders hold a positive view of SSCs both in terms of their success to date and as organisations in their own right. Over three-quarters (77%) of stakeholders' ratings indicated satisfaction levels of 6-10 with respect to SSCs overall. The success of SSCs was assessed to be highest in relation to developing strategic plans (74% rating 6-10) and in the use of vocational qualifications (72%), and lowest for developing cross-sector skills (42%, although 30% did not know for this area). They were also seen to be weaker in improving the image of the sector (56% rating 6-10), see Figure 4.13. The perceived success of the SSCs in developing strategic plans is important as it suggests a degree of confidence in the direction that the Network is taking.



Source: Skills for Business 2003 Stakeholder Survey

- 4.94 As organisations, SSCs are perceived quite highly with 87% of respondents ratings giving satisfaction levels of 6-10 in terms of their *accessibility* and over 70% of ratings at 6-10 for *innovation*, *being results driven*, *partnership working* and *being employer-led*. Encouragingly, 84% said that they would proactively recommend them or speak highly of them if asked. Stakeholders held a better view of SSCs over NTOs than employers with 61% of ratings suggesting that they have been an improvement on previous bodies and only 2% suggesting deterioration.

4.95 This positive view held by stakeholders is promising in terms of SSCs being able to influence them and their policies. In the case study report it was noted that SSCs acknowledged that senior policy interest was high and that there had been a step change in their ability to engage with government up to senior ministerial levels – they were ‘*knocking on open doors*’. An important challenge for the SSCs is to capitalise on and sustain these levels of interest by demonstrating that they speak authoritatively for employers and can provide persuasive intelligence on labour market issues. There are two concerns about the Network’s ability to do this:

- Any inconsistency in quality across the Network will weaken its overall credibility (*‘we’re only as strong as the weakest SSC’*)
- The speed with which the Network builds its capacity and credibility must now pick up pace if it is not to drain the patience and goodwill of stakeholders.

Coherence of SSCs

4.96 Given the last point, there could be some concern about the observed lower satisfaction amongst stakeholders with the progress being made by SSCs and the SSDA in forming a coherent Network. Although stakeholders were generally pleased with the logical formation of SSCs, the case study report noted that in a number of cases the driver for increasing sector footprints had been the SSDA rather than those employers who are deeply engaged in an SSC and who might see extension of employer engagement in the SSC as a dilution of their own influence.

4.97 This represents a challenge for SSCs in drawing their constituent parts together effectively and preventing fragmentation. There will always be some tendency for the latter where SSCs have responsibility for a range of sub-sectors that have few synergies between them. This can present difficulties in structures and activities as it can produce capacity constraints for certain sub-sectors. This issue is exacerbated when the regional intricacies of sectors and their sub-sectors have to be taken into account.

Early impacts

4.98 In terms of early impacts, the majority of stakeholders’ ratings (92%) indicated partners felt that SSCs have had either a major (31%) or minor impact (61%) on government policy already. Similarly, 22% of partners felt the SSDA had a major impact and 61% a minor impact. This is a particularly encouraging observation given the influencing role and strength that the Network was intended to develop.

4.99 The case study report highlighted some ‘early wins’ in terms of influencing performance (e.g. establishing a dialogue with ministers) and earlier sections of this chapter identified the progress that has been made in the various spheres of influence that the Network is seeking to

develop. It is early days yet to be discussing impacts in the sense of tangible and measurable changes in performance at employer, sectoral or national levels. But, it will be important for the Network to be able to demonstrate its effectiveness in this way in the near future if the satisfaction evident to date with its influencing role is to be sustained.

Concluding observations

- 4.100 The evidence of progress presented in this chapter tells a mixed story. To achieve the ambitions for the Network – a powerful, credible and authoritative ‘voice of the employer’ on strategic labour market matters, it would be necessary for the Network to:
- Establish strategic priorities and activities that address the sectoral and spatial conditions in which the SSCs and the SSDA operate in ways that would enable them to meet the overall objectives of the Network;
 - Engage in various spheres of influence (e.g. with employers and policy makers) in ways that enhance understanding and awareness amongst stakeholders of the purpose and methods of the Network and secured their commitment to its objectives and activities;
 - Intervene in ways that encourage employers to invest in skills development, that enable employers’ skill requirements to be articulated clearly, that prompt the learning providers to respond appropriately, and that persuade policy makers to set in place a supportive infrastructure of regulation, incentives and advice and financial provision.
- 4.101 Progress on all these fronts is conditional in large part on there being a Network in place that covers the UK sectoral labour markets with constituent agencies that are well-resourced, well-informed and well-networked. This has yet to be achieved but should be in place during the course of 2004-05. As a consequence, at the time of the evaluation (late 2003- early 2004), it was only possible to make an assessment of progress on the above fronts by observation of emerging trends and tendencies.
- 4.102 These observations will inevitably be coloured by the fact that the Network was still in its developmental stages and that it had been very much driven by the SSDA licensing process and the activities of the more well-established SSCs (tending to emerge from the more successful/larger NTOs). It will also be the case that even the more established SSCs will have been finding their way – wanting to pursue their declared intent to be strategic bodies at the same time as needing to sort out internal organisational structures and procedures and also engaging successfully in their spheres of influence by securing some ‘quick wins’.
- 4.103 It is necessary to take this background into account when interpreting the evaluation’s observations that:

- The Network's LMI activities have achieved some notable successes in the quality of the research efforts that have been put in place – nevertheless, in general this endeavour must still be regarded as work in progress that is hampered to some extent by the availability and quality of secondary data sources.
- It has placed to date far more emphasis on its skills development objectives than on improving productivity and raising opportunities for all.
- There often appears to be a weak connection between strategic aims and objectives as determined by LMI and other evidence and the portfolio of activities being pursued on the ground.
- Awareness amongst employers of the Network, the SSCs and the SSDA are relatively low and even amongst stakeholders that might have been expected to be more familiar with it.
- Understanding amongst employers about the roles of the Network, the SSCs and the SSDA are more in line with DfES milestones (though the base is those who have awareness which, as reported above, is below the milestone levels).
- The coherence and strength of the collaborative base of the Network needs to be developed and strengthened.

4.104 But, there is also evidence of progress. As already noted, the LMI work is of very high standard in some places and there is generally a much more sophisticated approach being taken to its development. There is also acknowledgement at senior levels in the Network that the SSDA, the SSCs and the broader Network need to be far more strategic and broader in perspective on the relationship between skills development, competitiveness and distributional issues. Moreover, this is beginning to cascade down into influencing activities with regard to developing national frameworks for occupational standards and qualifications, mapping the learning supply and providing information on learning availability and access, and developing learning/careers related products and services appropriate to particular sectoral needs.

4.105 Whilst awareness and understanding of the Network's role needs to be higher, the evidence suggests that satisfaction rates are high amongst those who have engaged with the Network and had dealings with it. Furthermore, most employers and stakeholders consider the Network to be an improvement on the previously prevailing NTO regime. Its coherence could be enhanced but there is increasing evidence of collaborative working across the Network for example through joint working, coordinated interventions and information/good practice exchanges.

- 4.106 The question is whether the momentum building up behind Network development will continue to take it in the direction and at the speed that will see it delivering against its objectives in the near future. The current relatively low levels of awareness and understanding amongst employers and stakeholders of the SfBN purpose and modus operandi suggest that the Network will have to work hard and fast to achieve the coherence and clarity of purpose that will enable it to do this. If this doesn't happen at the pace required there is a risk that the Network may get diverted from its current strategic direction, for example, through fragmentation within SSCs and a drift into the provision of learning. The next chapter considers these issues more fully and proposes some recommended courses of action to minimise this risk.

5 Conclusions and recommendations

Introduction

- 5.1 This final chapter draws on the evidence presented elsewhere in this report to highlight key findings and suggest ways in which the Network may develop and improve in the next few years.
- 5.2 The Skills for Business Network (SfBN) is designed to cover all sectors of the UK economy to raise skills levels in order to bring about improved business competitiveness and public services and increased opportunities for all. Although nearing the end of its second year of existence, the way in which Network has been developed means that it is only now approaching the point of ‘fully operational status’, i.e. with SSCs licensed to cover the vast majority of the economy. Therefore, this study has taken place at an opportune moment providing:
- A baseline of the conditions the SfBN is seeking to influence
 - An assessment of the profile of the Network and its constituent parts
 - A review of early progress and emerging issues
 - An assessment of how well placed the Network is to go forward and meet the expectations of government and other partners.

Establishing the Network

- 5.3 The SSDA has been established and a group of SSCs is emerging. By May 2004, 16 SSCs have been licensed covering around half of employment in the UK. By the summer of 2004 it is anticipated over 20 will be licensed. This is a significant achievement especially as in most cases it has involved establishing new organisations or the merger or growth of existing ones.
- 5.4 The process has taken some time and a significant number of stakeholders perceive less progress than they had expected although they see progress being in the right direction. The process has increased in momentum in the last 12 months and the SSDA deserves credit for recognising the difficulties that were being encountered in the licensing process and devoting additional resources to speed up and clarify it whilst maintaining its robustness. As this acceleration takes place, care will continue to be needed to ensure that those still in the process comply with the same high standards that licensed SSCs feel they were required to meet.

- 5.5 The time taken to establish the Network need not create a long term problem. Indeed, it is to be hoped that by focussing on quality, the Network will be more robust, more sustainable and with greater clout than if the licensing process had been light touch. Without a consistently high standard the concept of an SSC would have been weakened and it would then be much more difficult to gain influence with other partners.
- 5.6 The early signs of improved quality across SSCs is encouraging, although there is still some way to go:
- A number of high quality people have been recruited to senior positions at SSCs. This could have a significant impact on the credibility of the Network.
 - The business plans which have been developed provide a reasonable link back to labour market issues, although not always in a way which suggests a fully rounded and integrated approach.
 - The labour market information is still developing. While some is very good, the need for further work has been recognised by several SSCs to enable them to provide sufficient detail to influence the supply side - a cross Network research group is taking forward this agenda (providing just one example of the potential benefits of the Network).
 - Whilst awareness and understanding of the distinctive objectives of the Network and its constituent elements are not yet widely developed, the satisfaction ratings amongst employers and stakeholders who are aware of and understand the Network's purpose, and have had dealings with it, are high. They generally consider the current SfBN to be better, potentially, than the previously prevailing NTO regime. The major concern – and one widely held – is that progress in the desired direction has not been at a sufficiently fast pace. The risk that is seen is that slow progress might dilute the strategic intent of the policy initiative and could lead to competition between SSCs rather than networked collaborative development.

External perceptions

- 5.7 The evidence of the evaluation surveys gives a strong impression of the current profile of the Network. It appears that at present:
- Relatively few employers are aware of the Network or the concept of an SSC, although almost one third know of their own SSC. The latter appears to reflect awareness of well established brand names rather than an understanding of the Network as a whole and the rationale and objectives of the SSCs.

- Where employers and stakeholders have engaged, there is a perception that things are getting better - certainly compared with NTOs.
- 5.8 It seems clear, however, that there is still a good way to go. In particular, on the evidence of the stakeholder survey, there is not a well-developed or widespread understanding of what the Network is trying to achieve across the board. The concern for the longer term arising from this is that sustained lack of understanding of the strategic purpose of the SSCs and the SSDA could lead to employers and stakeholders seeking to interact with them in ways that might be inappropriate to that purpose (e.g. expecting them to deliver training services).
- 5.9 This could be compounded if there is an insufficiently clear distinction between the Network and the previously prevailing regime of NTOs. The key difference is around the scale and strategic scope of the Network that enables it to be a larger and more influential player both at the level of the sectoral footprints but also at the level of the region, country and UK as a whole. SSCs and the SSDA need to be at some pains to demonstrate that their individual activities also have a wider context and purpose than those of particular sectors.
- 5.10 To do this effectively they will need to seek an appropriate balance between the SSCs' role as influencing and delivery organisations. For many external to the Network, the perception of the SSCs is that their emphasis is on the delivery of learning and on the generation of the funding to finance this. In other words, they had not distanced themselves sufficiently from the perception of NTOs as primarily being concerned with 'chasing money.'
- 5.11 Senior SSC staff were quite clear about the need to change this model, but the impression of some stakeholders is that this is still what SSCs are coming to talk to them about. This is perhaps not surprising given this may be the most visible part of an SSC's activities and, as described above, most stakeholders have a weak understanding of the overall Network objectives. However, it also appears that this is actually the largest, most resource intensive of their activities. Such a drift towards the supply side and, indeed becoming part of it, could potentially dilute the SSC's role as a strategic influencing body representing the employer demand side.
- 5.12 For some SSCs the core funding supplied through SSDA is a small part of their overall budget. This may cause tensions between what the organisation wishes to do and the fit with SfBN objectives. To date these have been broadly comparable but it is already apparent that SSCs have not given an equal weighting to each of the four core SfBN strategic objectives. In particular:
- There is widespread realisation of the need for interventions to tackle skill gaps and shortages and to improve the supply side but
 - The linkage of skills enhancement to the productivity and the widening opportunities agenda appears to have a much lower level of priority.

- 5.13 The apparent lack of focus on productivity may reflect some uncertainty about how skills development can best contribute to this. However, without this form of linkage the rationale for the Network as an instrument for economic and social development is greatly weakened. The risk is that it leads SSCs simply to argue for more investment in skills because it is a ‘good thing’ rather than demonstrating that it will help improve national competitiveness and serve the agenda for widening opportunities. It is to be expected that the establishment of Sector Skills Agreements will help to progress this agenda.

Employer engagement

- 5.14 The low level of employer awareness most probably reflects the stage of development of the Network. Much time has been spent establishing structures and organisations. In doing this most SSCs have worked with a fairly limited group of employers, albeit often with those that have a high profile in their sectors. The difficulties of establishing new organisations are many and various (new staff, structures, etc) and, therefore, this focus on internal issues is understandable. However, if SSCs are to be properly effective as they become fully licensed, then it is important that:
- They raise levels of awareness so that employers know where to turn when they need advice
 - They have sufficient employer engagement truly to be the voice of their sector. This is likely to be a mix of the scale of engagement and the quality of the analysis that SSCs can bring to the interpretation of the views put forward. At present there is scope for further development of both strands.
- 5.15 There is clearly a need for SSCs to improve their profile significantly amongst employers. This is widely recognised in their plans although there is little evidence of new approaches which will lead to this being achieved quickly. However, the general awareness of the complexities of the issue does suggest that there may be some scope for joint working and learning across the Network.
- 5.16 The engagement of employers will play such a critical part in the development of the Network that particular efforts should be devoted by the SSCs, with support from the SSDA, to consideration of the purpose and form engagement should take. In this context, it may be worth considering possible classifications of engagement purposes and forms to see whether they are more or less appropriate for different parts of the SSCs’ sectoral footprints:
- Intensity of engagement: – To what extent does the nature of need within a sector or parts of a sector require an active and intensive dialogue between employers and the SSC as compared with a more passive engagement in which employers might be asked to respond to limited ranges of options or queries?

- Representativeness: – Does the nature of the needs/problems in the sector or parts of the sector require engagement that will generate feedback from a representative sample of employers or from a sub-set of the sectoral population that has particularly severe needs and/or can “pull through” other parts of the sector that are traditionally hard to reach?
- Feedback loops: - Does the LMI evidence for the sector or parts of the sector need to be upgraded by cross sector quantitative data that can be analysed statistically and/or by qualitative information that enables exploration of key issues in more depth?
- Links to decision making: - Do the current decision making structures and procedures provide for enough information on which decisions can be made on specific issues or, indeed, more generally and for the participation of those employers whose interests are most likely to be affected by a particular decision?

5.17 The SSDA might want to consider the above factors in the context of its own influencing role (see later) as well as working with SSCs on the issue of employer engagement. It is likely in both contexts that it may be appropriate to adopt a combination of different approaches in order to gather different types of information and to engage with employers and stakeholders in appropriate ways according to their capacities and needs. This could range from *passive* engagement through more *deliberative* approaches based on panels and forums to *participatory* approaches in which employers are actively engaged in the planning and development stages of policy and programme initiatives and even their management and monitoring.

Developing the Network

5.18 One issue around understanding may be the respective roles of SfBN, SSDA and SSCs. The overarching Network brand is still in development, but:

- Some SSCs believe that it is hard enough to explain what an SSC is to an employer let alone explain the strategic purpose of the wider Network and the advantages it can bring especially when . . .
- . . . the concept and the operational form of the Network is still uncertain . . .
- . . . even though there are exemplars of joint venture and collaborative initiatives across the Network.

5.19 The potential for the latter is clearly an important one to address and develop if progress is to be made at the speed required. Understanding of this collective network element is lower than of the constituent parts. Given the nature of the Network and the strong emphasis on a developmental approach, it is likely that it should seek to add value through:

- Generating scale economies through collaborative approaches
- Sharing intelligence about the external environment
- Providing an opportunity for joint learning and development.

Role of the SSDA

5.20 The facilitation of the development of the Network is a crucial role for SSDA, especially as its role in licensing SSCs winds down. In deciding how to move forward it must consider the extent to which it wishes to focus on:

- Regulation of the Network
- Helping SSCs to develop
- Working to draw together different parts of the Network to influence policy at various levels.

5.21 The emphasis is likely to be placed on the last two elements, especially as the tight licensing process should reduce the need for a very heavy audit/monitoring function. This has a number of implications:

- The skills mix of SSDA staff may need to adapt to this new emphasis
- SfBN /SSDA may need to be clearer about where and how it will seek to exert influence and to what end.

5.22 A strategy and action plan around where the SSDA wants to go as SSCs are licensed is currently being developed. The issues of staffing will doubtless fall out of the on-going strategy review process. The issue around influencing is more immediate. This is a core part of SfBN's remit and therefore the Network must be clear how it will seek to maximise its leverage on other partners. The suggestions made earlier with regard to employer engagement strategies might also be relevant here.

5.23 Moreover, as the Network has expanded, the value in working with all SSCs on all issues is probably diminishing as the full range of SSCs will have different concerns and priorities. Therefore, apart from on a few key issues (such as employer engagement), it is uncertain how the SSCs should best act as a complete group to be a true Network. One approach would be to identify issues of common concern and seek to facilitate meetings between groups of SSCs who share this priority. These could be run on an opt-in basis and in effect become a series of networks within the Network.

Cross sector activity

5.24 Four Cross Sector Boards have been established. They present an obvious opportunity for the different parts of the Network to come together and address common issues. The Boards are still forming or very recently formed and so it is too early to comment properly on effectiveness. Three issues, however, will need to be monitored closely in the next period as these will give an early indication of likely success:

- The extent to which individual SSCs are willing to devote senior time to these cross-sector issues
- The extent to which the Boards continue to pursue a programme of interventions based on activity and how they will therefore develop influence
- The fit between the SSC led Boards and
 - Other stakeholders who are already engaged in similar policy areas
 - The employer advisory groups that have been established to support the boards.

Sectors not covered by SSCs

5.25 It is likely that from the second half of 2004 around 15% of the economy will not be covered by an SSC. The SSDA has the remit to provide a minimum level of cover to these sectors but it is not evident from this evaluation that this role of the SSDA is not well understood. As the SSDA develops this role it must:

- Communicate this activity
- Be clear and consistent in how it will engage with these groups
- Allocate sufficient resources to undertake this role fully.

Impact to date

5.26 The Network is still at an early stage in its development. It is therefore too early to expect significant progress against many of the output and outcome measures. However, the evidence from stakeholders suggests that in most cases the Network has performed satisfactorily so far. There is generally perceived to have been an improvement on the previous regime of NTOs, although less progress has been made than was expected. Given that the stakeholder group was selected from those regarded to be closest to the Network, it is apparent that much more remains to be done to convince them that significant progress can be made in the appropriate strategic direction – let alone persuading those more distant from the

Network. As a number of the SSCs recognised, they have a short window of opportunity to encourage partners to engage with them. If the SSCs are not able to exploit this window fully in the next period their chance of making a large scale difference may be severely jeopardised.

- 5.27 The performance of the Network is poorer on the employer related indicators than for stakeholders. The impression, as described above, is of a small number of rich relationships with some key and mostly large employers. However, the scale and diversity of this activity is not where it should be and further work is required. The reasonably solid base that has been established provides the opportunity to move forward quickly but now is the time to do this.

Value for money

- 5.28 The Network has received significant government resources: by the end of 2003-04 this will equate to around £35m. Due to the limited nature of impacts to date it is difficult to comment on the potential value for money of the policy initiative. Even where SSCs have been licensed, it is not possible to say on what the money has been spent as there is no direct tracking of SSDA financial input within the overall budgets of the Councils. This is an issue that will need to be addressed if judgements on value for money are to be made at some stage. Clearly, the view can be taken that most of what has been spent to date is for investment in building a suitable infrastructure. But, this only serves to emphasise the need to monitor and evaluate the SfBN activities sponsored by this funding to see if they generate a return over the medium to longer term that warrant the significant investments that have been made in the last two years.
- 5.29 Two other issues are apparent around resourcing:
- The emphasis on influencing rather than “project” or “product” activity would suggest that the core budget of SSCs need not be substantial. Other work is currently going on to assess the required scale of this input but this should not be driven by supporting an SSC’s desire to be a major supplier of learning
 - The emphasis on high quality appears to have fed through to the nature of people recruited and subsequently the remuneration of these people. Care must be taken that the demands placed on key senior people in SSCs does not distract them from their core job of delivering their business plan. As new SSCs are licensed and become mature organisations it is to be hoped that the role of representing the Network can be shared more evenly.

Priorities for the next period

5.30 The assessment presented above on the basis of the evaluation evidence suggests a number of priorities for action:

- The quality of sectoral labour market information and intelligence needs to be further improved to reach a level where, perhaps through Sector Skills Agreements, it can influence provision and stakeholders.
- A clearer image must be developed of what an ideal SSC will look like and how it will operate. This will allow a stronger sense of how the SfBN should improve on the previous NTOs regime and how this should be embodied in appropriate targets.
- The emphasis of the Network should be primarily on influencing rather than on seeking resources to deliver more products. Funding learning delivery is the job of the LSC, ELWa and others, whilst the key added value of SfBN is in improving the quality and relevance of this provision to employers.
- SSDA and SSCs need to be clearer on their intentions for achieving real influence. The development of strategies around this specific issue would be useful in shaping thinking and moving from the current aspiration towards consistent high quality action.
- The extent of employers' awareness and understanding of and engagement with the Network must improve. This should be sought through promoting their understanding of the Network and gathering their views on the demand side requirements of the skills development equation – linking this to the drivers of change in their sectors. The credibility of the Network in ensuring that the mainstream supply side is geared up appropriately will be critically dependent on this – not on the SSCs delivering learning products and services to employers or in simply asserting that skills development is a good thing in its own right.
- The last point must be reflected in the business plans of the SSCs which should demonstrate what needs to be done by employers to respond to longer term sectoral drivers as well as their own shorter term interests. They will need to set out sectoral priorities to do this and the operational changes at employer, SSC and Network levels that are needed to achieve the desired outcomes in terms of skills development generally (and for all) and improved performance.
- There must be greater clarity about the nature of the Network, specifically in terms of how it can be made to be more than the sum of its SSDA and SSC parts – e.g. through joint-working, information sharing and other collaborative initiatives.

- As the licensing process comes towards an end, the role of the SSDA should change towards development and strengthening of the SSCs, the Network and its influence so that it works effectively as a collaborative network rather than a collection of competing SSCs.
- In particular, the efforts to encourage collaborative working need to be enhanced and carefully monitored to ensure that Network progress proceeds in the right direction, with evidence based priorities negotiated with partners, with employer engagement in a participative sense where it really matters and at a pace that is fast enough to keep employers on their toes (especially those that are key to the delivery of priority objectives).
- This will require the Network to get quickly but robustly to the point where it can tip-over from being concerned primarily with infrastructure and other internal Network development matters to being focused on looking outwards, communicating and demonstrating what it is about at the highest level within the employer organisations that can really make a difference to skills development and performance enhancement in their sectors and across the UK economy as a whole.

5.31 The time for the Network to grasp these issues is now. There exists a strong body of goodwill towards the Network – the SSDA and the SSCs - amongst stakeholders and employers. Building on this goodwill will require the Network and all its constituent parts to transform its ambitions and aspirations into real value added at sectoral, regional and country levels and the UK as a whole.